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# East Europe Report

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2221

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# TIES, ECONOMIC GROWTH RATE OF CEMA COUNTRIES DISCUSSED

Warsaw SPRAWY MIEDZYNARODOWE in Polish No 3, Mar 81 pp 25-34

[Article by Dr Gregorz W. Kolodko, lecturer, Depar ment of Political Economy in the Faculty of Economics of Production of the Cent al School of Planning and Statistics (SGPiS): "Ties Between the CEMA Countries and Their Economic Dynamics"]

[Text] The level of development of the social productive forces in the member-countries of the Council for Mutual Economic Assistance (CEMA) during the first few years after its creation was varied. As a direct result of such a state of affairs there were and are significant differences in the magnitude of the national income; it is estimated that in the extreme cases the ratio of the per capita national income of a country on the highest level of development to the size of the national income of a country on the lowest level amounted to approximately 5:1. After 30 years of the group's existence this ratio has undergone a clearly expressed reduction and at present stands at something like 2:1.[1] A characteristic trait of the changes in this ratio is the higher dynamics of the growth rate in the states at a relatively lower level of economic development. Against this background and within the theory of the growth of a socialist economy the thesis was formulated regarding the gradual equalization of the levels of economic development of the socialist countries,[2] rating it at the same time as a general regularity. It is worthwhile, however, to emphasize here that this regularity has universal values, for it functions likewise in the capitalist economy, as well as partially in that of the countries of the "Third World."

The differentiation in the economic growth rate in the CEMA countries pertains not only to that aspect which may be defined as extended, but also to the altered developmental dynamics within the framework of the individual states at various periods.[3] A closer look at this process inclines one to conclude that this type of change in economic dynamics is characterized by a regularity in principle.[4] By applying as a criterion of periodicity of changes in the economic growth rate, one may derive--in regard to all the European CEMA states--a division of the last 30 years into periods, which are characterized by an altered appearance of higher and lower economic growth rates. However, certain exceptions also appear in this field. This pertains particularly to the latest period, when up to the mid-1970's one could note only one departure from the above-mentioned principle of regularity. We are speaking here about the formation of the economic growth rate in the German Democratic Republic (GDR), where since the mid-1960's one may observe an even-measured growth, approximately uniform. The dynamics of the national income in this country varies, with minimal deviations, around 5 percent of the growth rate.

The development of the process consisting of an alternation between periods of higher and lower growth dynamics is determined by a division of the mechanism of the cyclicity of economic growth; moreover, one cannot speak here of a single specific cause of this process. The periodic changes in economic dynamics are brought about by a whole set of internally-linked socioeconomic and political dependencies. The subjective factor (decisions by the political-economic center) is linked with the objective factor, i.e., the objectively acting laws of economics. In the presence of voluntaristic tendencies appearing in certain periods against the background of an incomplete recognition of objective socioeconomic laws and at times a downright disregard of their functioning, there appears a linking together of elements of planning and spontaneity in the national economy.

Among the above-mentioned dependencies the greatest importance must be ascribed to the discrepancy between consumption in the short run and in the long run, as well as to the appearance in practice of an overall investment cycle with its own particular postponement of effects and indivisibility of outlays. Furthermore, a large role is played by the following: the share of the economy in the international division of labor; the system of planning and management, as well as the changes in the program of growth.

The goal of economic activity in socialism is to maximize the satisfaction of society's needs. In practice this has often led to maximizing the national income, which is attained by raising the rate of accumulation and by directing increased investment outlays mainly into the sector which is producing the means of production. A powerful investment expansion was begun, that takes the shape of an overall investment cycle with the postponement of effects appropriate to it. The choice of such a strategy in many cases brought on a tendency toward centralization during the period of economic planning and management. Excessive--in relation to the actual possibilities of the national economy--broadening of the investment front causes difficulties in guaranteeing the delivery of investment goods and indispensable materials to continue undertakings which have been started. There is also an increase in tensions of a sociopolitical nature against the background of the low dynamics of consumption. At this time there is an approach, as a rule, to very serious difficulties in maintaining a market equilibrium. In such a situation the political-economic center undertakes the decision to change the structure of the final division of the national income, and this is accomplished either by means of lowering the rate of accumulation or by slowing down the rate of its growth. At the same time essential changes are taking place in the structure of investment outlays to the benefit of the sector producing the means of consumption, agriculture, and the nonproductive sphere. These moves--along with the appearance of production effects upon the expiration of the period of postponement--provide a dynamic thrust to the growth rate of the national income and, above all, to that of consumption. Also moving in this same direction are changes in the structure of foreign trade turnover which are advantageous for current consumption. There is a periodic weakening of investment expansion and an ensuing concentration of work to end investments which were inaugurated during the previous period. Tendencies also appear toward decentralization and increasing the independent activities of economic units. These phenomena--and, above all, setting in motion the stimulating function of consumption--free up initiative from below and improve efficient management, causing it to increase labor productivity. Under the conditions mentioned

profitable use may also be made of existing reserves. All these phenomena stimulate the acceleration process, bringing the economy to a state of dynamic equilibrium.

Table 1. Average Annual Growth Rates of National Income in European CEMA Countries (In percentages, at constant prices)

| Enumeration | Periods and Growth Rates | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Bulgaria | a | 1953—1956 | 1957—1959 | 1960—1963 | 1964—1967 | 1968—1971 | 1972—1975 | 1976—1980 |
| | | 6,5 | 14,0 | 6,0 | 9,1 | 7,4 | 8,3 | 7,9 |
| | | — | + | — | + | — | + | — |
| Czecho-slovakia | 1950—1952 | 1953—1956 | 1957—1961 | 1962—1965 | 1966—1969 | 1970—1975 | 1976—1980 | |
| | 10,0 | 6,5 | 7,4 | 0,8 | 7,2 | 5,3 | 4,1 | |
| | | — | + | — | + | — | + | |
| GDR | 1950—1952 | 1953—1956 | 1957—1959 | 1960—1963 | 1964—1969 | 1970—1974 | 1975—1980 | |
| | 18,0 | 6,7 | 8,7 | 2,2 | 5,0 | 5,8 | 4,3 | |
| | | -- | + | — | + | + | — | |
| Poland | 1950—1953 | 1954—1957 | 1958—1963 | 1964—1968 | 1969—1970 | 1971—1975 | 1976—1980 | |
| | 9,8 | 9,2 | 5,4 | 7,1 | 4,0 | 9,8 | 1,6 | |
| | | -- | — | + | — | + | — | |
| Rumania | 1951—1953 | 1954—1956 | 1957—1959 | 1960—1962 | 1963—1966 | 1967—1970 | 1971—1976 | 1977—1980 |
| | 17,0 | 5,0 | 10,6 | 7,6 | 10,5 | 7,0 | 11,5 | 7,1 |
| | | — | + | — | + | — | + | — |
| Hungary | 1951—1953 | 1954—1956 | 1957—1960 | 1961—1965 | 1966—1969 | 1970—1974 | 1975—1980 | |
| | 9,3 | 2,0 | 11,0 | 5,4 | 7,2 | 6,2 | 3,8 | |
| | | — | + | — | + | — | — | |
| USSR | 1950—1951 | 1952—1953 | 1954—1956 | 1957—1963 | 1964—1968 | 1969—1973 | 1974—1980 | |
| | | 8,2 | 11,6 | 6,0 | 8,2 | 6,5 | 4,4 | |
| | 16,0 | — | + | — | + | — | — | |

"+" = Acceleration
"-" = Slowdown

a) There is a lack of accurate data for the years 1950-1952. It is obvious, however, that the growth rate of the national income in this period was much higher than during the years 1953-1956.

Source: Our own calculations, based on the GUS statistical yearbooks. Data for the year 1980, based on the assumptions of the national socioeconomic plans.

With the passage of time--in connection with the failure on the part of certain areas of the national economy to keep pace with the overall growth, especially the spheres of maintaining raw materials and power as well as the broadly understood socioeconomic infrastructure--the deepening of the imbalance in many sectors of the national economy has become an increasingly weighty factor in limiting the growth rate. It becomes necessary to change the program of economic growth; the more radical it is, the more obvious are the symptomatic traits of the period following the change in the program. It consists in a renewed acceleration of the growth rate of the production of the means of production. This brings with it another increase in encumbering the national income with accumulation and the beginning of a new, overall investment cycle. The rapid growth of

investment brings about a reduction in the dynamics of consumption--with all the consequences thereof. The national economy enters again into a period which is characterized by low growth dynamics; however, its traits need not be identified with the previous period of a lower economic growth rate. This results from the evident fact that in processes of social development some of their conditions disappear, while others, on the contrary, appear for the first time or play quite a changed role than in a different situation.

The development of the process of reproduction described above is composed of two consecutive phases. The first of these phases is marked by a relatively low growth rate of the national income and consumption as well as a rapid growth rate of accumulation and investment, while the second phase, in contrast, is characterized by a high growth rate of the national income and consumption along with a low dynamics of accumulation and investment. These phases create their own unique kind of entity, which may be designated as the general cycle of economic growth. Its trait--aside from the obvious regularity of the fluctuations of the growth rate of the basic macroeconomic categories--is the endogenic nature of the periodic pulsation; in the phase of rapid growth the objective premises for slowing down this rate in the following period and the reverse are already inherent. Thus understood, the endogenicity of the fluctuations clearly results from the described mechanism of periodic changes in the economy's dynamics.

The essence of this process is linked with the level of development of social productive forces in the transition period from capitalism to socialism as well as at the stage of creating the bases of socialism and adopting, in connection with this, the strategy of accelerated economic growth. It is difficult today--in view of the too little historical evidence--to synonomously prejudge the question of the nature of developmental processes in the future.

Many writers, however, are inclined to the view that such a development of the reproduction processes does not result from the essence of socialist economic relations and hence is not an inherent trait of the socialist method of production. With such an approach to the problem it is emphasized that when these conditions are fully mature and when the principles of a proper socialist economy are functioning completely, what--as a result of a correspondingly high level of social productive forces--will take place at the stage of developed socialism must anticipate a gradual departure from cyclicity in economic growth. Already today one can point to a whole span of possibilities of departing from periodic fluctuations in the future, as well as a number of roads leading to a softening of their course.[5] Hence the view that the cyclicity of the processes of economic growth in socialism is not something unavoidable[6] requires that further studies and verification be conducted.

The overall nature of the model of periodic changes in economic dynamics means that it does not correspond to each of the consecutive cycles which have appeared up to now in the European CEMA countries; in many cases one may point to differences in the actual course of phenomena from that which is represented in the model concept. Fundamentally these differences relate to the 1970's and pertain to the GDR, Czechoslovakia, Hungary, and the Soviet Union. In these countries during the last decade a long-range tendency has been observed toward lowering of

the economic growth rate. Furthermore, a series of particular traits appeared in Poland which has its own source primarily in the broad aspiration for external sources of developmental financing, fromwhich--because this is not a rule in the development of social productive forces in socialist countries--it is abstracted in the above-mentioned concept.

Observation of the phenomenon of periodic changes in economic dynamics has inclined certain authors to formulate the view that they develop within close time-frames.[7] This view is only partially right, while it would be more correct to say that they clearly illustrate cited data. Such a state of affairs results from a differentiated developmental dynamics at the moment of starting toward socialist industrialization, which was caused not only by the inheritance from capitalism in building an insufficiently developed material and technical base but, above all, by the great wartime destruction, in addition to the extensive differences in individual countries. Internal conditions likewise formed in a varied manner; the possibilities for accumulation in the national economy were unequal. In the early 1950's most of the states found themselves in the phase of rapid growth, which was a simple consequence of the developmental strategy which they had chosen, directed at an accelerated growth of the economy and a forced industrialization. The internal conditions of development appearing within the individual countries, however, influenced the differentiation of the length of the acceleration period. As a consequence the entry upon the next phase of the cycle, characterized by a lower growth rate, took place at various times; it occurred earliest in the Soviet Union (1952), and latest in Poland, Rumania, and Hungary (1954). The varying time-frames of the ensuing phases led during the first half of the 1970's to a situation in which four countries (Bulgaria, Poland, Rumania and Hungary) found themselves in a phase of a more rapid growth; in contrast, the three remaining countries (Czechoslovakia, the GDR, and the Soviet Union) were in a phase of decreasing economic dynamics.

Against the background of the remarks cited above the question suggests itself of what causes the concurrence of the time-frames of the individual phases in those cases when it actually takes place. One may formulate the thesis that a mutual impact on the changes of economic dynamics is only possible at such times when actual integrated ties appear among individual national economies. And hence the problem of the hypothetical synchronization of the growth cycle in a socialist economy on an international scale comes down primarily to answering the question of whether the mutual ties between subsystems such as are represented by the national economies within the framework of the entire CEMA system were strong enough to be capable of exerting a genuine influence on the periodic changes of the tendencies of forming developmental dynamics.

Within the historical process of the formation and development of CEMA one may distinguish several stages in which the group evolved for itself newer and newer goals. During the first few years of its functioning CEMA's main goal amounted to connecting and expanding economic contacts, primarily those involving trade, which served to implement the process of socialist industrialization and the solution of tasks which were typical of this transitional period. In 1954 the next joint goal was promoted, namely, organizing economic cooperation and proceeding to the coordination of national economic plans. The next essential step was

accomplished in 1961; at that time the basic principles of the international socialist division of labor were adopted.[8] It must be admitted, however, that for the first two decades of CEMA's functioning it was characterized by bilateral forms of economic cooperation, while the dominant form of this cooperation was trade exchange; on the other hand, joint investment ventures, industrial exploitation and cooperation played a secondary role.

The real process of integration began in principle just at the beginning of the 1970's. The basic tasks in this period were formulated at the 25th session of CEMA, which was held in 1971 in Bucharest, where the "Comprehensive Program for the Intensification and Improvement of Socialist Economic Cooperation and Integration of CEMA Member-Countries" was adopted.[9]

Despite the satisfying implementation of the Comprehensive Program during the past decade, the integration ties are certainly not that strong for the economic situation in individual member-countries to exert the most essential influence on economic processes--including changing their dynamics--in other states which are part of this group. The dominant form of cooperation continues to be bilateral contacts.

"The greater the preponderance that multilateral joint work assumes in many spheres in the near future, the more it will uniquely outweigh bilateral ties. But insofar as there is a further deepening of the socialist integration process, there will be a gradual broadening of those fields of economic activity in which the institutional forms of multilateral ties ensure their relative independent development (international programs, joint enterprises, financial institutions, scientific-research organizations)....For a lengthy period bilateral ties will remain the essential element of a realistic mechanism with the aid of which multilateral ties will be brought into being."[10]

Despite this, we cannot completely deny the mutual action of economic dynamics in the individual European countries of the socialist community. The level of this action, however, is not great. It turns out that it is proportional to the part of the mutual trade turnover in the national income of the countries under discussion. Yet it can be stated with certainty that the sphere of mutual dependencies in this field is far less in comparison with the highly developed capitalist states, and especially in relation to the member-countries of the European Economic Community (EEC).

During the second half of the 1970's in all the European CEMA countries there appeared a slowdown in the economic growth rate, and herein there is a varying scale of decrease in dynamics as compared to the preceding period within the compass of the individual states; likewise there is an essential differentiation of the growth rate within the spatial aspect.[11]

The reasons for this tendency are complicated. In all the countries under discussion there has appeared the phenomenon, which began in the second half of the 1970's, of a piling up of unprofitable internal and external developmental conditions. To the first group--aside from unconnected phenomena in the agriculture of most of the countries--we must enroll, first of all, the processes of the cyclicity of economic growth. On the other hand, the external factors are linked

with unprofitable business conditions in the world economy. And only in this sense can we speak about the internationalization of a growth cycle in a socialist economy. In other words, the socialist economy becomes a part of the world economy and, as such, cannot help but be subject to tendencies appearing on a global scale.

Table 2. Average Annual Growth Rates of National Incomes in Socialist European Countries During the Years 1971-1979 (In percentages, at constant prices)

| Country | 1971-1975 | 1976-1979 |
|---|---|---|
| Bulgaria | 7.8 | 6.2 |
| Czechoslovakia | 5.5 | 3.8 |
| GDR | 5.4 | 4.0 |
| Poland | 9.8 | 3.1 |
| Rumania | 11.3 | 8.2 |
| Hungary | 6.5 | 4.0 |
| Soviet Union | 5.7 | 4.4 |
| Total | 6.4 | 4.4 |

Source: Statistical Yearbook, 1980, p 509.

Consequently, we may formulate the thesis that the simultaneous decline in the economic growth rate in the socialist European countries does not result from a synchronization of the overall cycles of economic growth appearing within the framework of the particular countries because of the weak integration ties appearing between them. It is rather caused by the general situation in the world economy, on which the dependence of the socialist countries increases along with the steady growth of their participation in the international division of labor,[12] as well as the concurrence in time of the phases of the economic growth cycle which function autonomously within the limits of the individual national economies.

No matter what methods are used to estimate to what degree the effects of the socioeconomic development of the CEMA member-states are a function of their autonomous economic policy and to what degree, on the other hand, this is a result of cooperation and integration, it must be correct to recognize the thesis that the periodic changes in economic dynamics which have appeared in the history of the CEMA member-countries up to now are primarily the result of this autonomous policy, as well as the economic regularities within the framework of the individual states.

One of the new activities of the CEMA countries in regard to the planned shaping of the processes of socialist economic integration as well as the joint solution of the most important, strategic economic tasks of the entire group is to begin to work out long-range trend programs of cooperation.[13] The implementation of these programs, which, at the same time, are supposed to serve the creation of complementary--instead of the hitherto competitive economic structures within the framework of the community of socialist countries,[14] should considerably accelerate the integration process within the CEMA sphere. On this basis during the future years of the 1980's one can expect the appearance of genuine and powerfully acting

feedback between the formation of the economic dynamics--including its changes--of the entire group and its individual members. Moreover, the changes in the economic growth rate must not be--as indicated--of a cyclical nature. Furthermore, in all the CEMA states after a period lasting several years of a lower growth rate in the national income and elements of its distribution, i.e., accumulation and consumption, which is characteristic of the period from start-up to implementation of consecutive 5-year plans, one must expect a renewed acceleration of developmental dynamics. In relation to the entire group acceleration may occur during the final years of the 1981-1985 period. The question remains as to whether this will be only a temporary acceleration, encompassing a period of a few years, similar to what has taken place up to now.

While admitting the fact that the changes in the economic dynamics within the CEMA countries during the future years of the 1980's will be carried out in those same, or, more precisely, the very next few periods of time, we must point out three causes of this phenomenon, which reciprocally impinge on and reinforce each other. THe first of these--and this is continually of basic importance--is the action of the mechanism of the overall cycles of economic growth. The second pertains to the influence of the world economy on the economic growth rate within the socialist countries; the importance of this factor will increase. Finally, the third cause has to do with the bilateral and multilateral mutual influence of tendencies in the developmental processes which appear equally within the framework of individual countries as well as in the sphere of CEMA as a whole.

Hence, conclusions may be drawn for a policy in the area of the strategy of socio-economic development. A particularly great deal can be accomplished on this level in the area of coordinating multi-year plans and undertaking activities to create more complementary economic structures and the implementation of joint, large-scale investment undertakings (especially in the area of providing raw materials, fuel, and energy); moreover, they must not be subordinated exclusively to the system of 5-year planning. Such an approach facilitates truly cooperation in the area of coordinating national 5-year plans, but it also contributes in large measure to the cyclical nature of the growth process. This results from the tendency to link together the overall investment cycle within the framework of the 5-year plan, to which the logic of investment processes, as a rule, does not terminate the investment tasks which have been undertaken together with the ending of the 5-year period, causing at the same time a growth in costs and necessitating the commencement of the next investment effort during the years beginning the subsequent long-term plan.

The process of the macroeconomic reproduction of a cyclical nature brings about a series of economic, social, and political consequences. Their evaluation must be conducted through a prism of a unique "calculus of losses and gains." The endogenic nature of the formation of the tendencies and relations described above inclines one to conclude that unprofitable tendencies in one phase of growth then became positive tendencies during the extent of the following phase--and vice versa. Therefore, the negative consequences which are typical of the specified tendencies, were compensated by positive ones when the opposite tendencies appeared. The problem, therefore, leads to the following:

--What is the time span between the visible (invisible) losses and the future profits?

--To what degree are the anticipated profits larger than the losses which were suffered (additional costs)?

Less difficulties are offered by providing an answer to the first question. With the exception of the 1970's, the period in which there appeared positive results following negative ones amounted to from 3 to 4 years. With regard to the formation of certain categories we can, to a specific degree, recognize the above-mentioned consequences as well-founded and understandable, because certain objective limitations and premises of a purely technical and--partially--economic nature appeared. On the other hand, as pertains to implementing the goal of production, as well as the impact of these factors on the political situation, the negative consequences of periodic changes in the economic growth rate are unacceptable. They bring losses of equal value at all levels: political, social, and economic. Some of these losses may be difficult to work off even over a relatively lengthy period of time.[15] This is all the more so in that the anticipated profits have not yet compensated to a sufficient degree the losses suffered previously. It is also important that the "compensation periods" were of relatively brief duration, namely no longer than the "loss periods," and they have not always encompassed all the members of the community in the desired sphere.

Against this background the appearance of cyclicity in economic growth under socialism must be emphasized as unprofitable, while acknowledging, however, certain historical grounds for the cycle (the necessity of implementing a strategy for future growth).

There can be no doubt that there exists a profoundly well-founded purpose for abolishing macroeconomic reproduction processes of this kind. With this goal in mind we must undertake ex post undertakings minimalizing the negative consequences and ex ante conduct a policy aimed at eliminating the prime causes of this phenomenon. As is known, up to now there has been a preponderance of the first approach, which resulted--all things considered--from a failure to look within the economic policy at the question of the socioeconomic mechanism of growth cycles. This cannot bring any long-range effects.

FOOTNOTES

1. Omitting the non-European CEMA member-countries; nor are they the subject of further consideration in this article.

2. See, among others, L. Bialon and M. Roznowska, "Equaling the Economic Developmental Levels of the European Socialist Countries," NOWE DROGI, 1974, No 1.

3. These two concepts may be compared figuratively to driving along a main highway over which automobiles are rushing at different speeds in relation to each other, but at the same time they are traveling at different speeds in various places and at various times.

4. See M. Gruszczynski and G. W. Kolodko, "Regularity of Fluctuations in the Economic Growth Rate," GOSPODARKA PLANOWA, 1975, Nos 7-8, pp 426-427.

5. See G. W. Kolodko, "Wahania tempa wzrostu gospodarczego w PRL" [Fluctuations in the Economic Growth Rate in the Polish People's Republic], SGPiS, Warsaw, 1975, pp 191-208.

6. See, among others, M. Usiyevich and K. Mikulskiy, "Growth Rates in the World Economy of Socialism--Problems of Modern Times," MIROVAYA EKONOMIKA I MEZHDUNARODNIYE OTNOSHENIYA, 1967, No 12.

7. See J. Goldmann, "Developmental Rate and Periodic Fluctuations in the Economies of Certain Socialist Countries," GOSPODARKA PLANOWA, 1965, No 4, as well as R. Morsteen and R. P. Powell, "The Soviet Capital Stock: 1928-1962," Homewood, 1966.

8. For more on this topic see F. Kubiczek, "Socialist Economic Integration--Thirty Years of Achievement and Experience," GOSPODARKA PLANOWA, 1979, No 4, pp 186-187.

9. Further tasks resulting from the implementation of this program found expression at the 29th session of the Council, which enacted the coordinated Plan of Multilateral Integrated Undertakings for the Years 1976-1980.

10. H. Cholaj, "On the Drawing Closer Together of the Countries of the Socialist Community," GOSPODARKA PLANOWA, 1979, No 4, p 194.

11. According to the assumptions of the national socioeconomic plans for the year 1980, the growth rate of the national income was supposed to amount to from 1.3 percent in Poland to 8.8 percent in Romania. It is already known that these indicators have not been implemented, and in the case of Poland there even occurred a significant (approximately 4.5 percent) decline in the absolute level of national income.

12. For more on this topic see G. W. Kolodko, "The International Division of Labor and Regular Changes in the Economic Growth Rate Under Socialism," MONOGRAFIE I OPRACOWANIA SGPiS [Monographs and Papers of SGPiS], No 80, pp 116-122.

13. See F. Kubiczek, op. cit., pp 187-188. These programs pertain to the following: a) fuel, raw materials, and energy, b) agriculture and food industry, c) machinery industry.

14. P. Bozyk, "Poland's Economic Position Within CEMA," GOSPODARKA PLANOWA, No 4, p 196. This author asserts the following: "For with the passage of time there has formed in all the CEMA countries an analogous structure for creating national income. There has likewise ensued a drawing together of the structures of industrial production."

15. For more information on the topic of the consequences of cyclicity in the growth processes in a socialist economy see G. W. Kolodko, "Wahania tempa wzrostu....," pp 174-183. ["Fluctuations of the growth rate..."]

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MAIN ECONOMIC GOALS IN 1982 VIEWED

Budapest FIGYELO in Hungarian No 49, 9 Dec 81 p 3

[Article by Laszlo Ballai: "The Main Goals of Economic Work in 1982"]

[Text] Several days ago the Central Committee reviewed the experiences of economic building work in 1981 and set the state budgetary guidelines for next year's economic plan. The most important result in the first year of the Sixth Five-Year Plan period, as emphasized in the evaluation made at the session, was that the economic processes developed essentially in accordance with the two major goals of the plan. The equilibrium situation of the foreign economy is close to the goal. The living standards of the population, instead of being maintained, rose to a small extent, and living conditions improved.

Main Features of This Year's Development

We fulfilled the basic goals of the plan despite a more moderate rate of economic growth than we estimated. It is expected that the national income will increase 1 percent, and industrial production about 2.5 percent. The increase was promoted by domestic consumption, while it restrained by external demand. In our trade with socialist countries, exports are developing in harmony with import possibilities. In the developed capitalist countries, the lag in demand is greater than we anticipated; the recession and crisis in certain industrial branches is prolonged. Discriminatory practices are being intensified, and this is affecting our exports more adversely than before and throwing more obstacles in the way of export growth and thereby of production expansion.

Production in the industrial branches is developing in a differentiated way in accordance with possibilities on foreign markets. The two most rapidly developing subbranches of industry--with their production growth exceeding 4 percent--are food processing and the machine industry. The chemical industry, electric energy industry and light industry are increasing production 2 to 3 percent. On the other hand, production in metallurgy, mining and the construction industry is declining.

The changes which have occurred in the production structure also have an important role in the moderation of the demand for energy and in increasing profitability. The greater part of the production increment has gone for domestic consumption, while exports have remained essentially at last year's level. Work productivity has exceeded production and increased about 4 to 5 percent, and the number of employees in industry has declined 2 percent. Most of the enterprises made significant efforts

to increase exports and profitability and to adjust more rapidly to the changing requirements, although their improvement in international competitiveness and their modernization of the production structure has not as yet kep pace with the greater requirements.

Production in the construction industry has declined because of the reduction in investments. The ratio of renovation-maintenance jobs and the ratio of jobs being done abroad have increased in accordance with demand and opportunities.

Agricultural production is somewhat greater than last year. The unfavorable weather significantly decreased wheat and grap yields. The production yield for corn is good, but total grain production is less than we had estimated. Livestock breeding is developing somewhat more rapidly than planned, and the production bent of small farms is reviving. Pig stocks continue to be high and the situation for pig breeding is particularly favorable.

Living standards are improving this year instead of maintaining their level as planned. Population incomes increased 7 percent, while the level of consumer prices rose about 4.6 percent. Thup per capita real income rose 2 percent. The population's money savings is greater than last year, while consumption rose about 2.5 percent and the volume of commodity trade more than 3 percent. It was chiefly the purchase of industrial items and demand for services that expanded. Commodity provisions and selection was generally good and commodity supply improved in various productions. The improvement in living conditions was helped by the fact that the conversion to the 5-day workweek is proceeding well among the workers who are on three shifts and continuous work duty. The targeted number of houses were built; more children's institutions, general-school classrooms and hospitals were established than planned.

We spent less on investments than last year. It was primarily state investments that declined. With the exception of the Paksi Nuclear Plant, the realization of large investments is entirely adequate. Enterprises and cooperatives devoted more to investments than planned. Various steps were taken to avoid an investment upswing not in harmony with our possibilities. The scope of state-supported investments was narrowed. The reconstruction nature of developments grew stronger.

Under substantially more difficult external conditions than had been assumed, our international economic relations continued to expand. The volume of ruble-account imports is less than last year, the volume of exports is greater. In nonruble-account trade, the volume of exports and imports increased in the same ratio, and the terms of trade were improved. Thus the import surplus was further moderated.

The Key Task of Execution

In harmony with the resolution of the 12th Congress, the coming annual economic plan regards the improvement of the foreign economic equilibrium--depending on international conditions and possibilities--and the maintenance of living standards as the primary tasks.

To attain the plan goals or to establish their basis, economic management and economic organizations must do everything possible to improve efficiency and international competitiveness more rapidly than heretofore, and to increase exports. All this requires the modernization of the production structure, the dynamic improvement of the technical level, and increased energy and material savings. Distribution

is continuing to develop in harmony with the main goals: Domestic consumption must be moderated primarily through selective moderation of investments, restraints on inventory accumulation and increased savings realizable in the field of social public expenditures. The world market changes which are unfavorably modifying the international conditions that promise to be permanent should also stimulat the enterprises to faster action, above all in increasing the production of qualitatively higher, more economical and more highly processed production, in market work, in cost reduction, and in improvement of the leadership level. Therefore, the key question in carrying out the 1987 annual plan is the development of industrial and agricultural production, primarily in the improvement of production efficiency. Our entire econoimc organizational activity and the consistent realization of modified regulators must promote the realization of these main tasks.

With attention to external and internal conditions and the expected efficiency improvement, the economic plan calls for a 1 to 1.5 percent increase in the national income and 2 to 2.5 percent increase in industrial production. For all this, it is necessary to increase the output ratio of those products which can be sold more economically on foreign markets, which can rationally replace imports, and which have a low specific energy and material demand. On this basis, industry should contribute more than heretofore to an improvement in the economic equilibrium and to a differentiation of enterprises and cooperatives according to their effectiveness and competitiveness. Organizations that meet economic political requirements should vigorously expand their production, and enterprises and cooperatives which are unprofitable or operate at low efficiency should work out and realize their plans and ideas designed to improve activity. Responsible, initiative-taking attitudes and actions serving to attain our economic political goals should be strengthened in all economic organizations. The modernization of the enterprise organizational system, the further development of internal management and organization, and the improvement of relationships among the enterprises should be continued.

The Role of Energy Supply and Utilization

The plan guidelines also include important requirements in regard to agricultural and food production. We must estalbish the basis for increasing the production of agricultural products 4 to 4.5 percent. In addition to maintaining a good domestic food supply, production expansion serves chiefly to expand exports. We must achieve a greater grain yield than heretofore. It is encouraging that with increased incentives the sowing areas for cereals was increased in the autumn of this year over what was planned, and the sowing was carried out at the most favorable time and in a higher than average quality. The production of oleaginous crops should be in harmony with processing capacities, and the composition of vegetable production should be in harmony with domestic demand and export possibilities. The basis for the development of livestock breeding must be established by increasing yields, by maintaining large stocks and the inclination for livestock breeding, by good foddering, and by improving the links between large farms and small farmers. In addition to increasing yields, it is also an important task that the expenditures should increase more moderately through increased energy and material savings, and better use of means and fertilizers.

Special importance will be attributedin the coming year to assuring a balanced energy supply. The fueld and energy consumption of the economy cannot, or can scarcely, increase over this year's. To this end, we must speed up in every area of the

economy the carrying out of the energy-management program. We must first of all put our efforts into reducing the consumption of petroleum products and replace these with something else.

It is necessary further to help the foreign economic equilibrium situation in the field of distribution, primarily with the further modernization of investments. The 178 to 180 billion forints which can be used in the socialist sector must be devoted chiefly to putting into operation investments already in process. Under such conditions, economic growth must be based on the vigorous investment activity of earlier years, on the broad and significant investments now being put into operation and on improved efficiency. We must give preference to the economic production of energy sources, to their rational use, and to developments serving the expansion of profitable exports.

Consumption, Real Income, and Price Level

We must create the conditions for maintaining living standards and for improving living conditions, not from external sources but by increasing production efficiency. Consumption by the population and per capita real income may continue to grow to a small degree. The average wage of workers and employees may increase approximately to the 5 percent rise in the consumer price level. The balanced maintenance of commodity supply and the maintenance of good selection is a basic requirement. Improvement of living conditions is assured by the combined expansion, development and rational uee of the institutional network serving infrastructural provisions.

Improvement of the effectiveness of employment requires that the manpower demand be adjusted in every area of the economy to the changes in production tasks. Accordingly, employees shoudl be shifted from uneconomic enterprises that are not permanently growing to large enterprises that are capable of dynamic development, to the auxiliary or supplementary economy, or to the service area. Conversion to the 5-day workweek, excepting education and agriculture, will be concluded in mid-1982. The conditions for this must be created by improved work organization and a decrease in worktime losses.

Economic and Expanding Export

The improvement of the foreign economic equilibrium situation makes it necessary to expand foreign trade more dynamically than this year, and to increase exports to an extent exceeding imports. We must work at one and the same time for the development of a more economic commodity structure in exports and for the expansion of trade. With purposeful economic organizational work we must achieve a moderation in the import-intensive nature of production and make it possible to satisfy the demand for some consumer items through economic domestic production rather than imports.

The tasks that are conceived in the guidelines of the 1982 economic plan are realistic and can be realized through disciplined, active and enterprising work. The condition for achieving the main economic political goals is that the price and modified regulator system should give incentive to and stimulate the vigorous increase of efficiencyand export, rational import replacement, and energy savings. In addition to all these things, we must consistently give force to measures serving the raising of requirements and the planned regulation of purchasing power. It is now the task

of the enterprises, the cooperatives and the councils to prepare their plans in harmony with economic political requirements and the goals of the economic plan, and to work accordingly. By adjusting to the changing conditions, by increasing flexibility, and by exploiting the possibilities and endowments assured in the regulator system, they should do everything possible for our further progress and for the successful solution to next year's economic problems.

6691
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## OPPOSITION TO NEW FORMS OF BUSINESS ADMITTED

Budapest NEPSZABADSAG in Hungarian 28 Oct 81 p 10

[Article by Dr Gyorgy Varga: "Let Us Clarify the Misunderstandings!"]

[Text] It has repeatedly been established that the new has difficulty making a way for itself. By this, the headway made by small businesses and new business forms is meant. The national economic debates in progress since the early 1970's have lacked neither vehemence nor even extremist opinions. Of course, there is nothing wrong in this. Actually, it is good if debate is impassioned and the correct view crystallizes out of the clash of opposing sides.

The debate touched on many elements of our social and economic life; it made a new approach to the social and institutional structure possible, and helped us to the recognition of connections which enriched our experience regarding our social and economic reality.

In the second half of the decade, many researchers in the economic and social sciences followed the enterprise-scale structure that developed in the first half of the 1970's and especially the initiators of criticism of the centralization then taking effect.

### Scientific Recognition

This can be said with confidence of the examination of the enterprise-scale structure: Science has reached such a level of recognition that economic politics and planning can rely on its findings.

Nor should we silence the fact that, paradoxically, the exterior and interior factors unfavorably influencing our economic development stimulated scientific research into the enterprise-scale structure. These factors also played a part in the fact that the debates were followed by the decision to end centralization, and from 1980 by economic planning measures which can provide a more sensible direction for organizational movements.

We must value the central provisions radically affecting the enterprise-scale structure as the recognition of social and economic necessity. We must view it as a step which strengthens the economic base of the socialist state and one which reestablishes harmony between productive forces on a given level and concretely materializing forms of production relations.

However, we cannot pretend that through the influence of the central measures, the balance of different business-scale categories and enterprise forms will be unobstructedly restored in Hungary. It is not as if there were not still many obstacles in the way of the process in such a direction.

It is not out of the question. There are signs which indicate that the earlier theoretical battle must now also be fought on practical grounds. Some line up economic arguments against small business: Small enterprises lure the work force, especially the experts, away from large businesses; "primitive" work conditions exist there; their productivity is lower than that of the large businesses; they pay two to three times as much as large businesses for equal or "poorer" work, etc. Those who do not have apparently acceptable economic arguments make their stand against small enterprises political, saying that we are opening the way to capitalization.

It is a fact that the same critical or anxious opinions which censured the 1968 economic planning reforms are again being heard in some places against the central decisions concerning enterprise structures. It has since been established, it is true, that the reform of the economic planning system singularly strengthened our socialist economy; and perhaps it is not an exaggeration to find that it is doubtful whether without this reform we could steer the ship of our production in world economic storms and obtain the same results.

Critical Voices

All this does not absolve us from the responsibility of replying to the critical voices regarding the enterprise-scale structure. Lack of understanding and opposition is not universal, but neither is it a single, isolated occurrence; and not only in industry is it thus. The experience is similar in certain research and development institutions as well as in foreign trade. Such internal regulations have already arisen in places that it would take quite a determined person to have the interest and courage to found an economic cooperative or a citizens' law association. One recently established nonspecialized foreign-trade company can hardly bear the constant explanations before its authorities, due to the flood of complaints pouring in against it. The plaintiffs are foreign-trade enterprises which enjoyed the former monopoly.

For large businesses, it is truly not an indifferent subject that many good specialists are thinking of "parting" or have already left them. For the most part, they offer as reasons for leaving the excessive rigidity of the large organization and the feeling of helplessness in its hierarchical structure. These prevent the specialists from releasing their constructive energy. Among technical experts complaints about "underutilization" and the narrow frame for individual self-realization are common. The desire and the hope that in smaller organizations, the possibilities of experiment and creative work are greater, are generally alive in young specialists.

I will note here that industrial staff reduction is not a new occurrence, especially among certain large enterprises that contend with prolonged economic worries. A reduction in the work force at a certain level of industry takes place worldwide, and this is happening in Hungary too.

How should we react to the periodic, but often disguised opposition to the new? We must react first of all with understanding, since it is natural that the existence of small enterprises and new business forms and the very possibility of the competition they create will elicit counterinterests and opposition. Let us just imagine

how unpleasant it is when a new, more flexible business appears beside one which has enjoyed a monopolistic situation for decades, and the new arrival wishes to prove its reason for existence. It also turns out that the new enterprise sells the same products from time to time at a higher price abroad, and buys for less on the foreign market than some specialized foreign trade firms. This is understandably unpleasant, since the old enterprise justly feels exposed, because it becomes evident that even in foreign market work the style can change.

The behavior of certain large industrial and service enterprises is motivated by similar factors. This is worthy of attention because improvement of the enterprise-scale structure, and in its framework the establishment of various business forms cannot take place from one day to the next. It is possible that we are speaking of the first step in a far-reaching process, and it is certain that, based on practical experience, some corrections will be needed. However, if even the first steps now meet with obstacles, it will be difficult to gain experience, and it will be hard to change the existing stiff, overcentralized business system.

In attitudes concerning small enterprise and new business forms, it is very important that we evaluate their future roles realistically; we must neither overestimate nor underestimate their place. Thus we try to allay the worries of certain large-business directors. (I say the directors because the new enterprises really do not hurt the interests of large-industry workers.)

A Lasting Process

The liquidation of certain large economic organizations, or the making of independent enterprises from some of their constituents, as well as central measures regarding new business forms are all parts of the same process of rationalization. The comprehensively changed economic terms prepare us to reconsider the workings of national economic and business planning, methods of economic regulation and the institutional system. Under these circumstances, we must also think over how suitable the existing business framework and enterprise forms are for adaptation to the new terms. We are researching more rational planning and regulatory methods; for economic direction, we seek to establish a more rational institutional system than the previous one. This consideration is also the basis for the enterprise system changes.

Extensive examinations have shown that the present enterprise scales and business forms do not meet the claims for flexible adjustment, more rapid innovation and the fulfillment of differentiated consumer demand. The present enterprise scales are not optima; the goal of the measures in progress is to open a road for the establishment of optimal measures and forms of socialist enterprise. The possibility for a better unity than before between function, measure and business form arises. We are not speaking of a large action, but of the beginning of a lasting process.

Healthy Competition

Besides this, the livening of competition in domestic economic life is a not-secret purpose. Without a competitive home market, operative procedures for forcing enterprises into competition achieve no or moderate results. Improved efficiency can only be reached through the strengthening of survival and business constraints. The central provisions which target the improvement of enterprise-scale relations and the creation of new business forms also mirror this goal.

Hopefully, the departure of some specialists and the growth of a choice by employees will cause large organizations to reexamine their currently still overcentralized internal directing system. They will determine that creative work has honor and a wide scope at the large enterprise, and they will recognize this creative activity.

A healthy competition can arise between "small" and "large," whose advantages the whole society can enjoy, provided that the security and enterprise opportunities of large businesses are not limited by formal and informal overregulation, especially stiff wage regulation.

The reason that we give emphasis to possible competition is that today our economy bears a competitive situation where the productive user and the consumer can select in hardly any of its areas. Furthermore, the challenge of new enterprises can threaten acquired monopolies that are considered eternal rights.

Mutual Advantages

It is hoped, though, that not much time must pass before cooperation develops between enterprises of different dimensions and types. Certain large businesses have already recognized the advantages in small enterprise, and help the cooperatives and auxiliary branches that ship to them with machines and technological and manufacturing advice. It is not rare either that large businesses, recognizing the possibilities that small enterprises offer, will hand over the manufacture of certain goods which experience demand on the market; the large business was forced to produce these goods, perhaps uneconomically, because of its "supply responsibility." Where the large industry is related to the small business in such a way, the latter advantageously serves the large enterprise in quality and price. It is impossible that the small fish should swallow the large fish, because in cooperation notonly does the small enterprise profit, but the large organization gains a more beneficial position as well. the example of these businesses should influence the other large enterprises to live with more flexible business forms as soon as possible; they should look not for avoidance, but for the possibilities of cooperation.

We have not yet addressed the individual-shaping effect of the small enterprise. More precisely, the framework of small business strengthens responsiveness to new things and individual shouldering of responsibility. In some cases, directors working at small enterprises may become eligible to fill directorial positions at large businesses.

The state's provisions concerning the renewal of the business organizational structure must be viewed together with other economic planning and institutional system decisions as part of a sweeping rationalization and reform program. On the part of social bodies and specialists, decided activism and cooperation is necessary. Cooperation is needed in the creation of a professional opinion and public feeling which prevents those who cast their vote for the revewal of the enterprise system from being put on the defensive. It is needed so that in time the development of endeavors or processes which could undermine the realization of the good issue can be prevented in the framework of large and small business. Nevertheless, it is certain that one cannot just half desire the new, one must work for it wholeheartedly.

9890
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DEBATE OVER SMALL BUSINESSES APPEAL SHARP

Budapest MAGYAR NEMZET in Hungarian 13 Dec 81 p 9

[Article by Istvan Hermann: "Counter Opinion Concerning Small Undertakings"]

[Text] Much less is written about small undertakings these days than should be and the debate concerning them is about what it should be. It has been shown in these debates that all those who are against the small undertakings start fundamentally from a way of thinking which has as its content fear for the socialist achievements. And there should be debates in this question because obviously they serve to prevent the development of some of the wild shoots which seem almost necessary concomitants of these undertakings. Of course, it must be admitted that there will be wild shoots and that from time to time these must be pruned; the original political conception must be reviewed again and again in the light of practice and where necessary legal or other means must be used lest unjustifiably large profits develop in the wake of some undertaking.

So we must think about these things. Despite this I have a counter opinion in connection with how many judge the question of these undertakings--whether this is manifested positively or negatively. And more should be written about this. Greater publicity should be given to debating an initiative of great social significance. And the great significance is not a matter of numbers. It applies to the process itself and it applies to those ideas which accompanied the process even before it got started.

But let us start at the beginning. It is frequently said in private conversations that to a certain extent the possibility of establishing the undertakings means adopting the methods of capitalism. This opinion fails to take into consideration a great number of things. It is hardly necessary to recall that these arguments have been heard already in connection with small gardens and the second economy, and that life has refuted them. I feel that if we were talking only about private undertakings, and not about possible small undertakings by state enterprises or the organization of work in enterprise form by cooperatives and other associations, then we might ask whether a private lathe operator on Lujza Street might somehow compete with Ganz-MAVAG. I think the question is ridiculous. And not even poetic.

In addition, it has been argued that according to Lenin small commodity production re-creates capitalism day by day. They are quite right, Lenin did say this. But Lenin was talking about an entirely different type of small commodity production than that which exists today or which is being prepared for today. The small commodity

production of that time, the Russian small commodity production of the 1920's, was the production of truly independent small producers. There is no small commodity production today which would not be profoundly interdependent with large socialist operations, whether agricultural or industrial small commodity production be involved. The truth is that in most cases--and in general this will continue to be true--the individual carrying out small commodity production is also an employee of a large socialist operation. The concept of personal union is well known in Hungary, but now this concept applies not to the ruler but rather to that worker who, in a personal union, is both a small commodity producer and a worker in large scale socialist production.

Socialist trade, the socialist production background, the plan goals of socialism, etc. are all factors without which no sort of small commodity production or undertaking can function at all. A significant part of small commodity production is done to order, and the orders come from socialist plants or the socialist trade network. Only the large socialist operations or socialist trade supply or can supply the primary materials for these operations. In a word, going beyond the personal union, a thousand threads bind every small and medium undertaking to the work of the large enterprises, indeed, we might say, to social planning as a whole. Might contradictions arise on this path? This is certain. But in the final analysis we must recognize that no large industry, no gigantic industrial undertaking, whether it be in Japan or the United States, can do without that small enterprise background the creation or development of which we are discussing today.

And there is something else we should not forget. That magnificant film by Andras Kovacs, "Difficult Men," in its time and a number of articles and reports raised the problem of how clumsily large socialist industry puts into practice and exploits all those intellectual accomplishments which are born in our homeland. And it is really true that we have been looking for years for ways, both technical and economic, to better aid the exploitation of innovations and new ideas. I cannot say that there have not been certain results in this area. But I can say that all that which "Difficult Men" said and everything which was said and written here in its wake continues to be timely. The greatest treasures of a country include that intellectual strength which is embodied in the imagination, knowledge and initiative of people. The failure to exploit this intellectual strength distrubed everyone, and does so today also.

What does all this have to do with the possibility of undertakings? I believe it has a lot to do with it. What is involved is that something which has trouble breaking through in a large scale operation--especially one where the large operation itself is more or less accustomed to the old plan directive system--might be realized very easily in a small undertaking whether the form of it be state, cooperative or even private.

And something which is almost obviously profitable for a small undertaking might represent a great loss and ten or more times the risk for a large enterprise which has relatively little capital by international standards. So the undertakings can certainly exploit--if not fully--the intellectual reserves, the ideas and technical knowledge which we have not yet made use of. In many cases we could not make use of them with the given structure. Of course, it does not follow from this that the undertakings are a panacea which will put in motion all real or imaginable intellectual reserves; but if they succeed in activating even a fraction of them this will be on the one hand a great profit to the national economy and, on the other hand, will be accompanied by great results from the viewpoint of social public feeling as well.

So it is clear that when I oppose a part of public opinion this is not because I do not appreciate, in the case of those opposed to the undertakings, that a fear for the values of socialism flows from their views. It is just that I would like to convince them that an industrial microstructure must operate even in the background of large socialist industry and that what is involved here is not only an economic question but something else as well. Namely that the most talented workers, technicians, intellectuals, etc. should not feel that there is no opportunity in our society for them to employ and prove the talents dormant in them. And the fact that a new way to do this is opening up, this also is part of socialism.

8984
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EXPERIENCES OF SOCIALIST ECONOMY, MUTUAL COOPERATION VIEWED

Budapest VALOSAG in Hungarian No 11, 1981 pp 19-27

[Article by Oleg Timofeyevich Bogomolov director of Research Institute for World Economy of the Soviet Academy of Sciences: "Experiences Gained in Socialist Economy and in Mutual Cooperation"]

[Text] The congresses of fraterna parties held recently, summarized the social, economic and political growth of the socialist countries, designated the next domestic and foreign political tasks, and thoroughly analyzed the problems of international development. In a manner in harmony with the present stage, they characterized the new type of international links formed between the countries of the socialist alliance, uncovered for the socialist countries the mutual relationship between the process of getting closer to each other and and taking into consideration national characteristics, and emphasized the significance of mutually exchanging the experiences gained in building socialism.

In the coming times, we must complete the transition of the national economies to the path of intensive growth, and at the same time we must make the present decade the era of intensive production and scientific-technological cooperation among the socialist countries by supplementing the plan coordination of the fraternal countries with coordinating the entire economic policy. Studying and making use of the collective experiences gained in building the new society is among the extremely important factors of problem solving in the socialist alliance.

After October [1917], for almost three decades the Soviet Union was the only socialist country, and the Soviet experience represented the only example for socialist development. By the fact that socialism has become a world system, the experiences of socialist transformation have become significantly richer. Every single fraternal party has made contributions to the treasury of experiences of socialist construction; the exchange of experiences, and learning from each other are important factors in every way from the viewpoint of perfecting the existing socialism.

It was a very important achievement of the decade we have just left behind us that the economic potential of the socialist alliance's countries became significantly stronger. Between 1971 and 1980 the national income of the CEMA countries increased by two-thirds, and their industrial production by more than 85 percent. During this same period of time, the CEMA countries had about half of the total growth of the world's industrial production. And this makes a visible contribution of the growth of productive forces for the entire human race. During this decade, the average rate of economic growth was twice as high in the CEMA countries as in the developed capitalist countries.

These days the CEMA countries have a significantly greater economic potential than the EEC and by certain absolute indices they even significantly surpass the United States. The total volume of their industrial production is about two-thirds of the volume of the developed capitalist countries.

The agricultural growth of the European CEMA countries was characterized by broad application of industrial methods and by agroindustrial cooperation, which made it possible to achieve very high productivity indices in several countries. In Bulgaria, the GDR and Czechoslovakia, the average annual crop yield of grains approaches 40 quintals per hectare, and Hungary has already even passed this level. In per capita meat production, Hungary (140 kgs per year) has reached the world's most developed countries. The population's standard of living has continued to rise, and the process of solidifying and improving the socialist standard of living has continued.

However, at the end of the decade it began to show noticeably in the growth of the economic lives of the CEMA countries that they will have to conform to the new conditions of reproduction which are less favorable than before. The 1970's demonstrated that the countries of the socialist alliance have not been able to completely solve the problem of making economic growth intensive. The limited nature of the resources of extensive growth was being felt more and more. In general, they achieved only one-sided intensivity on the basis of increasing the productivity of work, but what the national economies gained by decreasing the live work spent on production they lost back because of the accelerated growth of the volume of objectified work: The increase in labor productivity was followed by a slowdown in basic return. The growth rate of work productivity also was not sufficient to implement the basic tasks related to the increase of production. The faster and faster loss of extensive factors, and the very slow addition of the intensive factors led to the point where the economic growth rate slowed down.

In this time period, the deterioration of economic equilibrium was an even more significant shortcoming of economic growth in most CEMA countries. The general economic inequalities (between the population's monetary income and the material coverage for incomes, and between production of the national income and its domestic utilization), as well as the most significant branch inequalities (between the producing branches and the infrastructural branches, in several countries particularly in transportation, between industry and agriculture, and between the various industrial branches) became deeper.

During the 1970's, the growth of socialist economic integration supported the correctness of the direction specified in the 1971 Complex Program, within the framework of mutual cooperation, insured the fulfillment of the basic needs and basically made it possible for u0 to protect the alliance's economic life during the time period in discussion from the effects of the sharpening global economic problems. But the new directions of cooperation did not grow sufficiently. There has been no change in the need to shift the emphasis of cooperation from the sphere of mutually supplying each other with heating materials and raw materials, to the sphere representing the creation of structures in the national economies which demand less energy and materials. We must develop and apply new technologies and techniques, and we must increase specialization and cooperation (primarily in machinery manufacture).

The fact that the foreign economic circumstances have become more complicated has further increased the sharpness of the situation. Foreign trade's lack of equilibrium and debts owed outside the country considerably increased. The independent production

of certain types of merchandise is insufficient, and their large-scale import cannot be classified either as reasonable or as unavoidable. More specifically: We are speaking about grain imports from the capitalist countries, and often this import must be paid for with the export of nonrenewable natural resources; [and] about the import of high-quality rolled products, while we have an extremely well-developed ferrous metallurgy of our own available to us. All this proves that we must more thoroughly consider the strategy of economic links we maintain with the West, we must better coordinate the steps of the CEMA countries in this area, and that better coordination is needed in the areas of basic directions of socialist integration and in the national economies in the areas of scientific and technological progress.

In many countries the increase in the population's monetary income was often coupled with a rise in retail prices, especially in 1978-1980, followed by deterioration of the merchandise supply. In several countries, a noticeable increase in the population's real income is not expected during the new five-year plan (1981-1985).

A common characteristic of the present stage is that many resolutions, and the implementation methods of these resolutions which were satisfactory in the past, are unsuitable to fulfill the urgent needs of the 1980's. We must develop new solutions without any delay.

The group of those most urgent and most significant tasks upon whose successful solution the perspective of our entire economic progress depends to the greatest extent at this time, stands out in the strategy related to the further growth of the economic lives of the CEMA countries. We speak first of all of the heating material and energetics problem; also of the problem of food; the problem connected with increasing the technological standards of the processing industry branches. Collective searching for solutions to these problems seems to be the most important area of cooperation and of exchanging experiences.

The joint efforts exerted in the area of solving the heating material and energetics problem resulted in the economic lives of the socialist countries growing mainly by means of national production and mutual transportation of energy. The advantage of such a solution to the energy problem in the CEMA countries became especially obvious in the 1970's when the capitalist countries and most developing countries found themselves facing the energy crisis while their own heating material and energy production stood at extremely low levels.

The Soviet Union occupies a special place in the energy production of the CEMA countries. The Soviet Union's shipments cover about 80 percent of the import needs of the CEMA countries for oil and oil derivatives, almost 70 percent of their electrical energy needs and practically the entire import needs for natural gas. Compared to 1951-1955, the average annual Soviet shipments to the CEMA countries increased by 1976-1980 by approximately the following volumes: Oil--from 1 million tons to 70 million tons; natural gass--from 0.1 billion cubic meters to 18 billion cubic meters; hard coal--from 1.5 million tons to 15 million tons; electrical energy--from a relatively small amount to 13-14 billion kilowatthours. The economic mechanism of mutual cooperation provides the CEMA countries with a very great advantage through Soviet energy imports. The purchase of oil and oil derivatives from the Soviet Union between 1976 and 1980 at prices below world market prices represented savings of over 15 billion rubles for these countries.

The high degree of energy availability to the CEMA countries is the result of national and international efforts. According to approximate evaluations, in most European CEMA countries the per capita average consumption of the basic energy types at the end of the 1970's surpassed the corresponding average index of the four main EEC countries (FRG, England, France and Italy), and in the other fraternal countries it strongly approximated the Western European indices. But this huge energy potential is not yet being exploited with the proper efficiency. In this respect the European CEMA countries are about 35 to 40 percent behind the EEC countries.

It became clear by the end of the 1970's that within the framework of CEMA the extensive path of solving the heating material and raw material problems had been practically exhausted. It became obvious that in the cases of most heating material and energy types [imported] from the Soviet Union the maximum practical levels of possibility had been reached by 1980 (with the exception of natural gas). And beyond this, the increase of contract prices for heating materials and raw materials due to the dynamic effect of the world market prices sharpened the equilibrium problems of the fraternal countries in the trade conducted with the Soviet Union.

For example, calculations showed that during the 1980's, in order to maintain the minimum acceptable rate of increasing the national income by 3 to 4 percent per year on the average, the energy consumption of the European CEMA countries will have to be increased during the decade to at least 1.3 times, and even this is possible only if the energy demand per unit amount of the national income is decreased. Such a large increase in energy consumption requires the European CEMA countries to increase their domestic energy production 1.4 times. But in order to do so they will have to increase their investments related to the heating material and energetics complex by a factor of 2.5 compared to the previous decade. Such a large increase of the investment burden may increase the tensions in the equilibria of the national economies which are there even now, and at the ultimate level it may exceed the economic strength of the fraternal countries. All these trigger the need for us to search for further reserves of growth in connection with the efficiency of CEMA's international economic complex, which is possible primarily if cooperation deepends between the fraternal countries and the Soviet Union. The most important one of these type of reserves is rationalization of the use of fuels and energy in all forms.

The sphere of the most important measures enacted in our countries in this area includes, first of all, the elimination of unreasonable and uneconomical use of heating materials and energy: Fuel waste in transportation, the heating material losses generated when rooms are heated, etc. But we must not forget that there are reasonable limits to further progress along this path.

In several socialist countries, for example, specific consumption of heating materials in the electrical power plants, or specific coke consumption in the casting of pig iron is 25 to 33 percent poorer than in the developed capitalist countries. Specific fuel and energy consumption are relatively high in the chemical industry, in the production of construction materials and in other branches. In many cases, the electrical motors and internal combustion engines used are uneconomical. One of the basic methods for solving the energetics problem and increasing economic operating efficiency is to implement technical changes in several branches based on multifaceted utilization of the mutual scientific-technical and economic cooperation by the CEMA countries and to introduce energy saving technologies.

We can and we must couple this direction with the structural modifications needed in the economic lives of our countries. Thus, for example, most of the CEMA countries need to expand the use of several high-energy-demand products--polimers, aluminum, electrolytic, steel, etc. But when the increase of energy consumption runs into limitations, the development of proper domestic production of the products in question cannot be considered in each country. Collaboration must be developed in the area of energy-demanding chemical industrial production.

Cooperation in the 1980's in the areas of frugal and reasonable utilization of energy sources, developing and employing energy-saving techniques and technologies, and improving economic structures can decrease the energy-demanding aspect of the national incomes of the CEMA countries at a faster rate than we had in the 1970's. By all means, this is the main perspective condition, even if not the only one, to insure the economic growth of the socialist countries from the aspect of energy resources.

We must also make great efforts in the interest of increasing the production of heating materials and energy. Nuclear energy will have a leading role in this area. Besides the construction of nuclear power plants, it will be characteristic for the 1980's that we will switch over to building thermoelectric centers and nuclear-powered boilers based on nuclear energy and we will introduce the production of the new type reactors, including the accelerated-neutron reactors; combined production branches (nuclear metalurgy, nucleochemical industrial and other branches) will be developed. These circumstances make it indispensable to very soon begin developing the cooperative program in nuclear energetics, nuclear energy machinery manufacture, and in the long-range sphere of appropriate research to extend to the year 2000.

L. I. Brezhniev referred to it at the 26th CPSU Congress that the western Siberian natural gas reserves will insure both the country's domestic and export needs for many years. Further large-scale development of gas production and the construction of a new pipeline are in connection with this. Participation of the socialist countries in the implementation of this plan would be of essential importance from the viewpoint of our entire alliance.

The needs of the countries to use additional energy sources are growing at a rapid rate, but the losses generated during the course of the energy sources being used [conservation reasures] are decreasing only very slowly. Significant experience has been gained in the GDR, in Hungary and also in other countries in the area of decreasing energy losses.

In the 1970's, food production continued to increase in the CEMA countries, resulting in increased per capita consumption of the basic food items. At the same time, we saw certain difficulties in the growth of agriculture, which justifies mentioning also that the food problem has not been solved, and in some cases it has even increased. The growth rate of agricultural production is not high enough and in some areas it shows decreasing tendencies. For several very important product types, per capita consumption in many countries remains below the scientifically established standards, and we have also been unable to significantly improve the nutrition structure. Product loss rates are very high as a given product moves from the land which produced it, to the consumer's table. We saw in the 1970's that the capital and funding requirements of agricultural production significantly increased.

The CEMA countries are activating their efforts in the area of improving the economy's agricultural sphere, and countries like Hungary, Czechoslovakia, the GDR and Bulgaria have gained valuable experience in solving a number of problems. In this area especially Hungary's experiences are valuable.

According to the directions shown by collective experience, the strategic guidelines must start out from the point that we must increase the proportion of investments aimed at improving the quality of the branch's production apparatus. At the present time in the agriculture of the European CEMA countries, 50-60 percent of the branch's investments are spent to modernize fixed assets and improve quality, while in the United States, for example, four-fifths of annual investments were spent for such purposes during the 1970's.

We can also draw the conclusion from past experience that we must exploit every opportunity to increase production without significantly increasing the volume of investments. One of the ways of reaching this goal is to more fully utilize the already existing available potential which in the countries in question is far from being fully exploited. For example, even in Hungary where extremely rational economic operation is conducted, the large livestock-raising lots can produce only 85 percent of the planned number of animals, and only 70-71 percent of the irrigable acreage is cultivated.

An important question of investment policy--particularly with respect to livestock raising--is to develop the optimum relationship between new construction and the reconstruction and modernization of existing production facilities. Experience shows that the expenditures for reconstruction are very efficient. According to data from the GDR, in facilities included in reconstruction the efficiency of labor increases 100-150 percent, and in addition to this the basic return and profitability are much higher than on newly built facilities.

One extremely important problem of the 1980's is to eliminate the lack of proportion which exists in the growth of agriculture's material-technical foundation. We can mention three basic types of this lack of proportion: Lack of proportion between the supply of energy sources and the machinery performing the work, lack of proportion between the delivery of machinery and of the spare parts they need, and lack of proportion between the right kind of working equipment needed to industrialize production and the type of work done.

A reasonably relationship between large-scale industrialized operation and small farms represents an important problem in the present stage of agricultural growth in the CEMA countries. During the 1980's the individual household plot operations will fill an important role in supplying the population with food. The significance of these farms is emphasized not only in those countries where they have a large share of the gross agricultural production, such as the BNR [Bulgarian People's Republic], the MNK [Hungarian People's Republic], and in the Soviet Union, but also where it is of an insignificant order of magnitude, such as the GDR and the CSSR.

In increasing the level of food supply, it has exceptionally great significance in the socialist countries that we achieve balanced growth, not only in agriculture but also in the entire national agroindustrial complex. It is characteristic of the Soviet Union and also of several other countries that the growth of the agroinfrastructure and of the processing branches falls short of the desired extent. The experience of the MNK and of the GDR indicate that regrouping the investments between

the various spheres of the agroindustrial complex provide an opportunity to increase consumer end products within the very same available budgets. All in all, total expenditures related to the product produced (calculated per unit of production) are three or four times lower than expenditures spent to increase the volume of production. We can achieve a two- to three-fold decrease fo losses during the 1980's primarily on the basis of a more reasonable investment structure.

Of course, we cannot remove from the agenda the fact that we must insure maximum food supply from our own resources, but at the same time it is desirable to find opportunities to deepen cooperation among the CEMA countries in the food complex; namely: We must increase exports to the CEMA market from the BNR, the MNK, the RSR [Socialist Republic of Romania], and the Soviet Union. Obviously it will become necessary for this to improve the economic mechanism of cooperation in the agricultural sphere. The experiences of the CEMA countries regarding the assembly of development programs of the agroindustrial complex speak in favor of developing a joint CEMA policy for providing food, which also includes the coordinated development concept of relationships with third world countries.

Even though the problems of equilibrium of the domestic consumer market have not been completely solved in any CEMA country, overall balance has been reached in several countries, primarily in Hungary, the GDR, and in the CSSZR between the volumes of demand for which they are able to pay, and goods and services which they can offer. And this represents a great advantage economically and socially. But even in spite of this, the task of achieving greater harmony between the structure of solvent demand and the structure of doemstic market supply remains a timely one. Available experience shows that expanding the production of consumer goods, accelerating the growth of the sphere of services, flexible pricing policy, and development of new opportunities in the interest of utilization of personal incomes eased the tension which appeared in the sphere of financial supply.

As the experiences of the CEMA countries demonstrate, technical rejuvenation of the branches of the consumer sector leads to expansion of the production of consumer goods and to improvement of the quality of goods. As is well known, the sector's investments increased significantly during the 1970's, especially investments related to the reconstruction and modernization of existing enterprises. But even so, these branches still fall short of the needs.

Most of the domestic needs of each country are covered by domestic production. In this area, the cooperation among CEMA countries serves to expand selection and to increase the ratio of high-quality items and new items in the domestic consumption structure of the countries. On the other hand, as far as insuring the fulfillment of demand related to household appliances and other durable consumer goods is concerned, specialization and cooperation among the CEMA countries could play an even more important role in the future than in the past.

We could hardly overestimate the significance of collective experience in intensifying the economy's development on the basis of scientific and technical progress. Machinery manufacture is the very essence of the processing industry--and the task of machinery manufacturing is to open the gates wide for the application of new techniques and technology in the national economy. The following things are needed to select the strategy related to the further growth of machinery manufacture: 1) Opening up and analyzing the development tendencies and directions of international scientific-technical progress; 2) based on the uncovered tendencies, selecting the

preferred directions of scientific-technical progress in the CEMA countries; 3) based on the preferred directions of scientific-technical progress, determining the directions of central cooperation among the CEMA countries (considering the resources and opportunities of the individual countries); 4) determining the leading mechanisms and directions of international specialization and cooperation in the machine industrial complex.

During the course of analyzing the present situation of international manufacturing specialization and cooperation, many experts draw the conclusion that in spite of the unquestionable successes achieved in the area in question, cooperation falls short of the requirements which characterize the intensive type of economic growth. Our cooperation continues without change to serve primarily the goal of eradicating the various shortages with its help, and therefore it does not sufficiently promote the acceleration of scientific-technical progress, the improvement of technical production standards and of product quality.

In commercial sales in the alliance's countries, the share of machinery and equipment increased from 37 percent in 1965 to 42.4 percent in 1979. The CEMA countries fill 63.5 percent of their machinery and equipment import needs within the framework of exchange of goods; for example: 90 percent of the buses, 88 percent of the trucks, 95 percent of the passenger cars, 98 percent of the tractors and self-propelled machinery; this number is 69 percent in the case of energetics and electrotechnical equipment; etc. The most intensive growth of international manufacturing specialization and cooperation took place in the machine industrial complex of the CEMA countries. In 1980, more than 70 percent of the 120 multilateral international manufacturing specialization and cooperative agreements were in machinery manufacture. Between 1975 and 1979, the total export volume of the specialized machine manufacturing output of the CEMA countries increased by a factor of 2.6 while total machine industrial exports increased by a factor of 1.7.

Choosing the directions of international manufacturing specialization and cooperation takes place generally on the basis of the already operating branches. However, inasmuch as individual and complex specialization may stand at a low level of development at the national level, the level will also be low in the system of interrelationships on the international level. Among the CEMA member countries only 10-15 percent of the total volume of the specialized shipments of machinery and equipment covers complex units and subunits, which is much lower than the level achieved by the developed capitalist countries in their own manufacturing cooperation.

Since sufficiently effective organizational and economic conditions are absent, a certain rift may be observed between scientific-technical cooperation on the one hand, and international manufacturing specialization and cooperation, on the other. In practice, we are dealing with two such independent systems which from time to time grow in parallel with each other, and not in one single unified complex. We also have not fully exploited the opportunities in the international socialist distribution of labor to solve another problem of strategic importance in international manufacturing specialization and cooperation. We are referring here to the following: Development of expediently coordinated profiles in the branches, but first of all in the machine industrial complex, and eliminating the unjustified parallelisms within the branch and subbranch structures. International manufacturing specialization and cooperation has not yet become an effective factor to enable us to rebuild these structures and technologies in the direction of energy and material frugality.

We will eliminate these shortcomings obviously by improving the planning of international manufacturing specialization and cooperation, the legal foundations for cooperation, the pricing, especially with respect to complexes and spare-parts units, the organizational mechanism of cooperation, the financial, currency and credit relations, etc., both on the national and on the international level. The guideline of the CPSU and of the other fraternal parties is that the two five-year plans ahead of us should be a period of intensive production and scientific-technical cooperation among the socialist countries One important condition for successful implementation of this guideline is that we must work out the coordinated long-range development concept of international specialization and cooperation for the time period reaching to the year 2000, broken down for each branch. Thus, with the aid of this concept, it will be easier for us to determine the most reasonable profile-development directions of the machine industrial complexes for the CEMA countries.

In connection with improving economic operating methods, the experiences gathered so far in the CEMA countries provide the opportunity to bring up the question of bringing the structures of the economic mechanisms of the CEMA countries closer to each other--as was done at 26th CPSU Congress. We are viewing this problem within the relationship that the direct links between the ministries and the associations and enterprises participating in cooperation need further improvements, that joint enterprises will have to be created, etc., that is, solution of the problem is an indispensable condition for the integration processes to deepen at the lowest levels, where the desired deepening runs into obstacles in many respects in the present stage of our development.

In our view, the problem concerning bringing the economic mechanisms closer to each other involves three aspects: Bringing the mechanisms closer, bringing the foreign-trade blocks of the mechanisms closer, and finally bringing the normative economies of the CEMA countries, taken in the broad sense of the word, closer to each other.

The CEMA countries are not forcing onto each other any kind of models concerning the development of the economic mechanism, but they are interested in coordinating the operation of these mechanisms. We can save a tremendous amount of time and money in connection with searching for the optimum solutions if we actively study and make use of the collective experience of socialist economic operation.

The practice of recent years has proven convincingly that in the socialist countries the improvement of the economic operating mechanism with a promise of success is not possible without first meeting three basic conditions. First, the changes to be made in the economic operating mechanism must be in harmony with that economic development strategy worked out by our parties on the basis of recognizing society's objective development laws and analyzing the concrete situation. Second, no economic reform can lead to the expected positive results without appropriately insuring politically and ideologically the measures implementing it. Third, the effectiveness of the new economic mechanism depends on the appropriate preconditions of regeneration (first of all, on the balance between the amount of money in circulation and its coverage with goods); and besides this, it must by all means be taken into consideration that in the final analysis the job of balancing the national economy is a function of the economic mechanism.

It would be too early to talk about quality changes having taken place in our countries in the area of improving the economic operating methods: For the time being the economic operating mechanism is built everywhere for the most part on extensive growth

factors. Thus far we have not succeeded in developing a sufficiently effective mechanism to acclerate scientific-technical progress, we have not succeeded in eradicating the dispersed nature of investments, nor in insuring the necessary equilibrium.

The scientific institutions of the fraternal countries and CEMA's international institutions do much in the interest of studying the three basic aspects of the experience. First is the present experience of solving socioeconomic and political problems for each of the fraternal countries. Second is the experiences of our internationalist cooperation. Third is the historical experiences gathered in the past in connection with the development of socialism in the various countries. The above-listed sphere of the experiences we have gathered differ from each other in essential ways and require differing methods of study, evaluation and utilization.

The fraternal countries are studying and utilizing the present development experiences of the national economies with the most success. Scientific organizations working on studying the socioeconomic development of the fraternal countries are operating in every country. Our press thoroughly familiarizes us with these experiences; significant results are born in this area from the relationships developed within the framework of the large number of international economic organizations of the socialist countries and from the direct meeting of the producing collectives and the individual citizens. This mechanism produces completely realistic and illustrative results.

A mechanism operating in a predetermined systematic manner has come into existence in practice for the purpose of studying and making use of the experience obtained in the area of domestic economic growth and cooperation. We have also seen that not all component elements of this mechanism are functioning perfectly. For example, the problem that we should coordinate the development of the socialist integration's international economic mechanism with the improvement of those domestic and national economic mechanisms, whose effect on international integration is far from immaterial, has not been solved. In our opinion, significant laxities are occurring in the study and practical application of the historical experiences of socialist construction. In Hungary, various types of associations based on contractual foundations are being developed broadly as tools of horizontal industrial integration. And in the Soviet Union during the 1920's, volunteer enterprise associations based on contractual foundations spread broadly as syndicates and stock corporations, and several of the party and state documents of that time gave positive evaluations of their activities. The disappearance of these forms in the Soviet Union at the time did not mean at all that their existence was theoretically judged incorrect. During the time before the war this disappearance was justified by the extremely severe external conditions of socialist growth, because we had to limit the economic and independent accounting methods and formats of directing in the interest of strengthening the centralized and administrative formats, which, on the other hand, is far from the general law of peaceful socialist construction.

When historical experiences are studied, consideration of the experiences connected with mistakes is especially valuable--since, in order to have such experiences, sometimes we have to pay very high prices, and for another country it is extremely valuable to have the chance and opportunity to avoid mistakes through the experiences of others. Up to now we also have not sufficiently utilized this opportunity.

I would like to touch upon two questions in this respect: One of them is the improvement of scientific generalization and the other is the improvement of the joint international research system.

It is obvious that we cannot solve the task of thorough and mutual examination of the experiences by just studying the trade literature of the other countries. Sending some scientists abroad for brief visits is also insufficient. In our opinion we should make much broader use of the following ways: First, economic scientists should be sent to the fraternal countries for longer periods of time for the purpose of mutually studying experiences; second, groups of specialists should be sent out for the purpose of conducting complex studies into the various aspects of economic activities conducted by the fraternal countries.

It is a widespread practice for the international scientist collectives of the fraternal countries to publish monographs and other scientific publications. But complexity and systematic organization are missing from this work also. The time has come, for example, when an international composition should be created giving a complex review of all those systems of the socialist economic operation which have found use during the complete historical growth of the new society, in all socialist countries. This would be helpful to us in the future in making better founded decisions between the various specific national conditions, about the use of various systems which have been tried out in practice. We can also picture joint research projects which are more local. From the viewpoints of all of our countries, it would undoubtedly be useful to make an operative study of the experiences gathered in saving material resources, especially in effecting savings in fuel and energy sources.

Internationalization of the experiences of socialist construction represents an objective regularity and promotes the acceleration of social progress. The directions shown by the congresses held by the fraternal parties are in harmony with the interests of all of our peoples in connection with the more active solution of this task. All the conditions are available to us to activate this process, to make it complex and systematic in character.

8584
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PUBLIC OPINION POLL ON ECONOMIC CRISIS PUBLISHED

Warsaw WIADOMOSCI I PROPOZYCJE PRZEGLADU TECHNICZNEGO in Polish No 46, 15 Nov 81 Supplement p 4

[Text] Public Opinion Research Center [OBOP] and Program Studies PR i TV [Polish Radio and TV] conducted studies on the subject of various aspects of overcoming the economic crisis.

One way to restore the market equilibrium is to reduce financial resources of the population, by reducing real incomes. Would the public accept this method of achieving market balance? No. As it appears from OBOP studies: 58 percent of the persons polled confirmed that the reduction of real income would be unacceptable. Only 26 percent of respondents would be inclined to agree to a temporary reduction of incomes as a condition to gradually solve the crisis. In white-collar and blue-collar workers' centers there was no difference; 20 percent approved this possibility, while 39 percent of the farmers would accept a reduction of real income. The percentage of farmers who would agree to an income reduction was almost double that of laborers intellectuals. This can be explained either by income levels differences or by the conviction of farmers that the effects of crisis would have little effect on them (for example, increased food prices).

The unwillingness of the community to accept a reduction in real income as a prerequisite to balance supply and demand results mostly from the fact that 73 percent of all persons who were polled are convinced that it would not change the market situation and that goods would not become more readily available because of such measures.

The possibility of introducing a general income tax as an alternative to price increases has also been studied. To find out the reaction of the population: 37 percent of respondents concluded that price increases should be introduced first (with compensation for lowest wage earners), and 17 percent favored the introduction of a general tax (excluding lowest wage earners) as the first step. A price increase with simultaneous compensation is thus easier to accept by the population than a general income tax. However, if such a tax were introduced, then--according to 71 percent of those polled--said that it should be a progressive one; 16 percent of those polled were favored for a tax independent of income. As to tax exemptions--11 percent wanted no exemptions at all, 26 percent wanted exemptions for people--less than 1,800 zlotys monthly per person in a family; 21 percent favored exemptions for people with incomes of less than 2,600 zlotys per person in a family, and 22 percent were of the opinion that this income limit should be raised to 3,600 zlotys. Persons who were polled were more inclined to accept a tax on luxury goods (such as villas, yachts, high class cars); 81 percent of respondents considered it justifiable and legitimate. Over three-fourth of respondents considered that there should be no exemptions from this kind of tax.

As concerns price increases, 53 percent of those polled favored gradual increases; 36 percent favored a one time increase. Opinions on the following topics were also sought: Which kind of food and industrial items could be increased in price during the first phase. The following items were identified and favored by the percentage of voters indicated: 52 percent of the voters; flour--34 percent; milk--23 percent; groats--19 percent; sugar--14 percent; meat and meat products--14 percent; diary produce and milk products--11 percent; salt--7 percent; alcohol--6 percent. Replies concerning industrial products varied: cars and motorcycles got 14 percent and TV--8 percent of votes. This study was organized in May before the price increases.

From OBOP soundings it appeared that 53 percent of the community was prepared for a possibility of many employment layoffs and only 17 percent considered that there would be no reductions in principle. People employed in socialized economy were asked if they felt personally threatened by a loss of employment. It was found that 14 percent of the total fear reductions; 41 percent considered white-collar and civil service workers to be the most likely to be laid off; 27 percent also mentioned farm-workers and blue collar workers; 18 percent--absentees; 9 percent included employees of enterprises experiencing shortages energy and raw materials. People with low qualificiations were mentioned by only 6 percent of those were polled; directors and managers--by 5 percent, those nearing reitrement, young employees and married women by 4 percent.

One fourth of persons polled expected great difficulties in finding jobs and even considered it impossible; 50 percent estimated that those who lost their jobs would be able to find new jobs but with great difficulties; 11 percent had no opinion on the subject. Only 14 percent considered that there would be no problem in finding new jobs.

Only 8 percent of persons polled were against any unemployment compensation. Thirty-six percent felt that unemployed persons should receive one-half of their previous earnings; 22 percent thought that persons discharged from work (and looking for new employment) should receive a compensation amounting to their full [previous] earnings.

9841
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MINISTER INTERVIEWED ON STATUS OF ECONOMIC PLANNING

Wroclaw GAZETA ROBOTNICZA in Polish 17 Nov 81 pp 1, 2

[Interview with Prof Wladyslaw Baka, Government Plenipotentiary for Economic Reform, by Aleksander Kubisiak; date and place not given]

[Text] [Question] Let me suggest focusing our interview on two issues. First, identifying causes responsible for the fact that the work on the economic reform takes so long. Some experts and many nonspecialists believe that we have wasted a year which significantly contributed to the breakdown of our economy. Second, defining conditions which would bring about an improvement in the economic life of the country, both in terms of current economic practice and creating more positive perspectives for the nearest future.

[Answer] I do not agree that we have wasted a year and I do not share the view that the work on economic reform takes too long. Experiences of other countries show that the preparation of an economic reform generally takes 2-3 and even more years. Certainly, if we take into consideration the so-called sociological time--that is, the social pressure to introduce the reform over a period of time--the appearance of a delay may occur. I believe that we have not wasted any time, because within a year since the beginning of our work on this reform we have produced a document of utmost importance, which was adopted by the Ninth PZPR Congress and subsequently approved by the Sejm--I am talking about "The Directions of the Economic Reform"--and two bills, on enterprises and on self-government. We are in the process of completing a whole package of bills: On planning, financial management of enterprises, authority to conduct trade with foreign partners, banking law, etc. Please note that all work on the economic reform is being conducted with an "open curtain," and not in the small circle of experts; all issues must be subject to discussion and consultation, and this takes time....

[Question] And yet we hear voices--including those of economics professors--that this entire matter, along with the reform introduction, can be resolved in 3-4 months.

[Answer] These are unsupported and demagogic statements apart from the fact that in order to meet the above timeframe the reform would have to be worked out by a small group and then arbitrarily forced upon the society, which I think would be nonmeritorious in substance and unrealistic from the social point of view.... And if somebody looks for causes of the current crisis, or its present aggravated form, in the allegedly slow tempo of reform, I would suggest that he rethink the whole matter again, analyze the course of socioeconomic processes, and then lay down the

facts and honestly determine which factors have handicapped the introduction of a stabilizing program for our economy. By preparing and introducing the reform we are putting ourselves on trial: If it is good--the country will move, the economy will go forward....

[Question] ...and if it happens to be bad, or, let's say--not the best?

[Answer] Then it does not even serve any purpose to prognosticate possible effects. Regardless of troubles and difficulties, we must reform our economy, but this requires a very solid preparation so that the whole idea will not be compromised.

[Question] How do you view the state of social knowledge--particularly in enterprises--of the principles and rules of the economic game which will be introduced on mandatory basis in all enterprises 1.5 months from now?

[Answer] Poorly; the level of knowledge is not very high. One cannot blame the workers for insufficient knowledge about the reform--they should be approached with concrete illustrations and not with pamphlets. It is more serious, though, that the level of ignorance is high among the managers. Some of them are not even familiar with the basic documents on reform; we observe a kind of mental laziness. Characteristically, ignorance is often accompanied by very freely expressed criticisms of various solutions spelled out by the reform. Somebody will take the floor and make a peroration, and it comes out that he has not even read "The Directions of the Economic Reform." Ignorance fosters disinformation as well. For example, one can see leaflets announcing that according to the government's reform project "the pay will be dependent on the job position" and not on performance, that "the self-government will execute decisions forced u,on it" and not the decisions made by the employees, that "enterprises will be subordinated to centralized associations" and will not be able to freely join each other, etc. These are simple lies, aiming to repudiate the concept of reform.

[Question] If the knowledge about the reform is not the best, what is your opinion about the consultations conducted in 100 enterprises? What kind of comments, suggestions, or criticisms in regard to the prepared legal acts did these enterprises offer and what did these specifically address?

[Answer] This was a very important and beneficial test, which was very useful for the work of the Commission for Reform. The presented laws, decisions, and directives were met with a host of concrete comments and proposals, all different since the situation of individual enterprises differs. The overwhelming majority of consulted enterprises favored a system based on profit and not on income. They emphasized that the enterprise must be allowed to keep the entire amortization, that is, the amortization allowances fund.

As to the tax system--which one to choose: Progressive or linear--there was a division of opinion. Enterprises which expected moderate growth potential preferred the progressive, while the dynamic ones favored the linear system.

Additionally, it was suggested that the financial settlements in foreign trade be simplified, and there were criticisms directed against the proposed principles of the incentive system as well as against the proposed principles of price determination and control.

In general, the comments and suggestions offered by the consulted enterprises were competent. However, this does not change my opinion about the general level of social knowledge of the reform principles.

[Question] After the reform is introduced, there will be a problem of reduction in force at enterprises where the employment level was too high, or at enterprises which might be shut down as a result of, for example, energy or raw material shortages. Will these matters be resolved by the self-government or by the management? Or perhaps they will be resolved by the central administration?

[Answer] The problem of employment displacement will come to the fore, and rather fast, which everybody wants--with the exception of those who will be affected by the displacement. But I think that those who will be forced to change their jobs might in fact in many cases find more satisfaction from their new jobs than the present ones. Only the self-management of an enterprise will have the authority to decide the structure of employment and the number of employees. Only the self-management will make a decision on that. Of course, nobody will release the state from the obligation to secure employment for everybody. But the employment structure nationwide must be adjusted to the socially indispensable production and service structure; hence I doubt if the state institutions will be able to secure for everybody employment in his chosen profession and location. In anticipation of difficulties in the employment area, we are already in the process of creating the Vocational Activation Fund based on the progressive increments of an average pay above a certain level which will be deposited in this fund by every enterprise.

[Question] What will be the state's sources for the financial compensations which are to cover the costs of price increases?

[Answer] Compensations must be taken from the national income. Compensations for the employed will be included in the personnel costs of enterprises, while members of their families as well retirees, pensioners, annuitants, and others will be compensated by the Social Security Administration. This way the compensations will be built into the state financial system. Some enterprises may object to that and demand that these costs be covered by the state budget. The situation is such, however, that in order to include such coverage in the budget it would be necessary to increase the enterprise tax. In other words: Six of one or half a dozen of the other. This means that all incomes must be generated by work, whether in production or in services.

[Question] You have not mentioned yet the conditions for present improvement of our country's economy and the perspectives for the future....

[Answer] An improvement of the sociopolitical situation is the condition for overcoming the crisis and for the success of the reform. If the current development trend in the sociopolitical situation continues, most of the things we are doing today for the purpose of introducing the reform may end up as just interesting reading in the future. I am an optimist and I think that we will shortly witness a change for the better, regardless. I am particularly hopeful about the idea of a national conciliation front.

[Interviewer] Mr minister, thank you for the interview.

8609
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MEAT INDUSTRY OFFICIAL COMMENTS ON SUPPLY SITUATION

Warsaw SZTANDAR MLODYCH in Polish 2 Dec 81 pp 1, 2

[Interview with Ksawery Wroblewski, deputy director of the Meat Industry Central Office, by Joanna Solska: "Meat Cannot Be Subdued"; date and place not given]

[Text] "First, I want to assure you that I really do not care to be a director...."

[Question] And I want to talk about meat, not about the chair you are sitting on.

[Answer] It does not matter, these two subjects are related.

[Question] Sir, how much in arrears are meat ration cards?

[Answer] This depends on who does the counting. The Ministry of Domestic Trade and Services estimates 40,000 tons; we believe that we are in arrears 17,700 tons of so-called meat mass.

[Question] What is behind the difference in calculations?

[Answer] There are three reasons. Practically, none of the governors adheres rigidly to the centrally established allocation: so much for the ration cards, so much for communal feeding. As a result, less meat finds its way to the stores and more goes to day-care centers, hospitals, restorative meals and food serving institutions. The second reason is lack of discipline in the commercial system: more meat is going there than it appears from counting the honored ration cards. The third reason, related to the preceding one, is that we calculate the deliveries exactly without providing even a 3 percent margin for weight loss. It was Minister Kowalik who decided to do this because, as there are no reserves, the margin could be obtained only through a decrease of rations.

[Question] This has been done already.

[Answer] But not for this reason.

[Question] These arrears, however, do not exist in all voivodships. There are voivodships where there are no arrears....

[Answer] But there are also voivodships which ate their December allocation in November, e.g. Kalisz and Legnica. Thus we have two kinds of statistics: the

arrears which, as I have said, amount to almost 18,000 tons and at the same time excessive deliveries which amount today to 23,000 tons and are growing every day.

[Question] This is absurd because, at least by your calculations, the arrears are less than the excesses. It would follow that if the central allocation was adhered to strictly, no one in the whole country should have October ration cards in his pocket while, in fact, there are those who have not succeeded in getting their September rations. Why do you give too much to some while others are hungry?

[Answer] We are not giving, we are simply not able to enforce distribution discipline. Those who are hungry are in large population centers and in the nonagricultural regions. Those voivodships which should feed not only themselves but also the others are "overfed." For instance, Kalisz Voivodship is duty-bound to move part of the meat available there to Silesia and Legnica Voivodship to Walbrzych Voivodship. In fact, they do this reluctantly and sometimes not at all, leaving in their areas more than allocated. Silesia should be fed by the following voivodships: Opole, Legnica, Wroclaw, Gorzow, Zielona Gora and Pila but none of them fully fulfilled their duty. Forty-five percent of the meat that gets to Katowice is from imports. The supply is not only insufficient but also spasmodic. The region has practically no pork because we are importing mostly beef. There is practically no fresh meat, only frozen. I do not even mention that the traditional sausages disappeared from Silesia because practically all of them are eaten by the agricultural regions.

[Question] And there is no way to enforce the allocation?

[Answer] Before the Enterprise Act became the law, we had a stick for the enterprise directors, namely: the nonaward of premium. Today, a director of a meat enterprise is not afraid of the industry central office but of his voivodship governor and local government. Both of them press to have the meat and slaughter animals retained in place. He is also under pressure from the local labor union. On the other hand, we are armed only with a document issued by the Anticrisis Operational Staff saying that "The decisions of the Chief Director of the Meat Industry Central Office regarding allocation of meat and slaughter animals have absolute priority over allocation within the voivodship from which the transfer is to be effected." We are sending desperate telexes to Vice Premier Obodowski but we are getting no response.

[Question] It is difficult to force anybody not to eat himself but to give to someone else....

[Answer] The point is not that he does not eat but that he does not eat more than his modest ration. The governors who "eat" more defend themselves that within their own voivodships they have a backlog of ration cards that have not been honored. Their estimates of that backlog invariably differ from the truth. When it comes to the point of officially recording that backlog, it turns out to be much smaller. In only one case did the governor's estimate turn out to be correct: in Debica. However, if one added up the governors' demands, it would turn out that we have 45 million citizens rather than 36 million.

[Question] And how will it be with honoring ration cards in December?

[Answer] Overall, the supply of meat should equal the demand for the rations: 82,000 tons, out of which as much as 30,000 tons will be from imports. I am not including the arrears. There is a decision by the minister of domestic trade and services to compensate for the arrears in sugar, kilogram for kilogram. My statement is not positive, however, because the purchase of meat from producers may go down inasmuch as the slaughter of animals for one's own use may increase before the holidays. Every previous total must be corrected within a month. Obviously, if Minister Krzak talks on television about the exchange of money, purchases from producers will plummet. These purchases also fall sharply after every news item about a new strike. They go more smoothly when there is tranquillity in the country.

[Question] Will everybody receive in accordance with the allocation?

[Answer] For the reasons I have enumerated, probably not.

[Question] Where will the situation be worse?

[Answer] In Katowice; Warsaw will get without any reserve; Krakow, Kielce, Radom, Lublin....

[Question] But the last ones are the agricultural voivodships, certainly they do not need transfers?

[Answer] Unfortunately, they do, although just last year they fed themselves and their neighbors. In Lublin, we expect to purchase from the producers about 1,067 tons and, to satisfy the rations in that area, 2,465 tons are required. In Kielce, if everything goes well, the purchases should amount to 1,529 tons and 1,294 tons more will be required to satisfy the rations, almost double. In Radom, the farmers will furnish only 700 tons and the needs are over twice that, they amount to 1,551 tons. The situation is similar in Tarnobrzeg and Zamosc.

[Question] As we are already unable to fully enforce discipline regarding transfers, what is going to happen when the economic reform is introduced?

[Answer] The central office of the meat industry, just like the other industry central offices, will cease to exist.

[Question] I am not asking about the central office but about meat.

[Answer] Well, the regulation and the reform are mutually exclusive. What can happen in a meat plant when it becomes independent, self-governing and self-financed? Obviously, it will want to maximize its profit. Certainly, it will look into exports, after all, it could keep 15 percent of the hard currency earned in its own account, get export premiums and it has a product that is easy to sell. And whatever is left it will sell nearby to avoid transportation costs. No one will be able to force the director or the management of such a plant to act against its own interest, that is, to transfer meat to another area. It is easy to imagine what will happen in places where there

will be no meat. There may be a paradoxical situation that there will be a specter of general strike...against the economic reform.

[Question] And if there is a so-called active strike?

[Answer] Let us imagine such a strike in the meat industry. The authority in a plant would be assumed by the strike committee which would establish a self-government and a new management. Let us ignore the chaos that must accompany such events. Such a plant will be under heavy pressure of the labor unions which will try to feed its own area with its "own" meat. In other areas, there will be hunger and new kind of strikes against...the strikers. The union leadership, in order to gain control of the situation in the country, will have to gain control of meat and food in general, i.e., will have to establish units controlling these items centrally.

[Question] Something like the Central Office of the Meat Industry?

[Answer] Sort of, but having much greater authority. It will have to be an office having full control of the subordinate meat plants, directing their production in an absolute manner, simply like a "commissar." Of course, there will be no independence, or "self" anything. A plant must simply produce as much as possible. Recipients will be decided by the central authority. Also, it will be fully responsible for the results of its decisions. Today, in the meat business, discipline is a must, regardless who enforces it.

[Question] Are you trying to tell me that the Central Office of the Meat Industry cannot be eliminated?

[Answer] No. The Central Office can be eliminated but whatever we do now, starting in January, someone else will have to do, perhaps the Office of Materiel Management. Except, it will have to have absolute authority. Believe me, I am concerned about the substance, I really do not need to be a director. My colleagues are professionals in the meat business and we can make in a small plant the best sausage you have ever tasted.

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## AGRICULTURAL SITUATION IN FOURTH QUARTER EVALUATED

Warsaw RADA NARODOWA GOSPODARKA ADMINISTRACJA in Polish No 19/20, Oct 81 p 28

[Article by Edward Dworecki]

[Text] This year's weather conditions in almost the whole country were generally favorable to agricultural production. This made it possible, despite a shortage of tractors and agricultural machinery and especially spare parts, to carry out the basic work connected with the cultivation of land, sowing and harvesting within the required time of agroengineering performance.

The experts in vegetable production state that if agriculture had at its disposal a sufficient amount of mineral fertilizers and of the necessary pesticides in the current year we would achieve a very good harvest of most crops.

The harvest achieved may be considered on the whole as good.

Conclusion: In connection with a considerable shortage of mineral and chemical fertilizers and pesticides it is imperative to:

--carefully amass, properly store and apply organic fertilizers;
--increase production of composts and the green manure;
--make wider use of mechanical and agroengineering methods of plant protection.

As shown by this year's agricultural census, not all the arable land has been used for production. The area of recorded waste and fallow land amounted to 109,000 ha. Most of it was situated in voivodships of Bialystok (8,042 ha), Bydgoszcz (7,215 ha), Gorzow (6,157 ha), Koszalin (5,398 ha), Olsztyn (10,331 ha), and Szczecin (5,905 ha).

Conclusion: In all these voivodships, gminas and villages in which waste and fallow lands are found, it is necessary to take effective measures aimed at agricultural utilization of all arable land. This work should be undertaken this fall, which will make it possible to better agricultural development of that land.

In the structure of the area under crops, compared to 1980, there occurred an increase in the area under cultivation, among others of grain cereals by 60,000 ha, that is, somewhat less than 1 percent; sugarbeet by 17,000 ha, that is 3.7 percent; buckwheat and millet by 14,000 ha, that is, 11 percent.

On the other hand, among others, the area under potatoes has decreased by 86,000 ha, that is, 3.8 percent; rape by 43,000 ha, that is, 13.4 percent, and corn by 89,000 ha, that is, 13.1 percent.

The increase of the crop area of grain, beet root, and buckwheat, and a decrease of the area under potatoes, were in accordance with assumptions of the crop plan.

Unfavorable was a considerable decrease in the area of rape cultivation and too great a decrease in the area under corn. Even though the area of winter rape for the 1982 harvest is 18 percent greater than this year's, the current year's plan tasks concerned with rape cultivation were not fulfilled.

A decrease in the area of corn cultivation occurred chiefly in the state farms [PGR] as a result of the abandonment of the directive-type system. These changes in the PGR are chiefly justified by economical conditions.

Conclusion: The influence of agricultural services on changes in the structure of crops ought to be in a higher degree aimed at increasing winter and spring grain crops. In the fall period, one should prepare for an increased beet root crop.

A part of the area of the winter rape crop ought to be supplemented by spring varieties in spring of 1982. Corn, as corn planters and corn pickers are being delivered, should also be cultivated in a greater degree by individual farmers. The changes in crop structure ought to be planned directly during the harvest or at the very latest during the fall operations.

The results of the census of the number of farm animals, compared with the analogous period in 1980, showed a continued persistence of the falling trend in numbers of cattle, hogs and sheep. In private farming, this trend was lower than in the socialized farming.

The number of cattle decreased 6.7 percent, including that of cows by 3.3 percent. Only in the voivodships of Kalisz and Siedlce did the number of cattle remain at the level of June 1980. Changes in the cattle herd structure show a greater decline in those groups that constitute the basis for the production of cattle for slaughter. This occurs especially in socialized farming in which the maintenance of the high cattle stock was required by administrative directives.

New economical conditions in socialized farming will exert an influence on a better adaptation of the number of cattle to fodder source yields and possibilities of employment.

Conclusion: The promising yields of beet root and fodder root crops, as well as satisfactory harvest of hay along with its better quality, compared to previous years, provide conditions for checking the falling trends in the numbers of cattle and possibilities to increase herds. Notwithstanding a rather favorable situation as regards roughages, it is necessary to collect and store them very carefully in order to create indispensable reserves, chiefly in the form of silage.

One should likewise expand all organizational and training operations of agricultural services aimed at a maximal rearing of calves, for example, competitions in rational rearing of calves should be supported by budgetary means intended for promotion of the development of agricultural production.

The number of hogs has decreased 13.3 percent, chiefly in socialized farming. In herd structure, there was a sharp decrease in the share of porkers, which had an especially adverse effect on the procurement of hogs up to now and at present compared with the analogous period in 1980.

Territorially, the greatest decline in numbers of hogs occurred in the southeast regions and relatively the smallest in Mazowsze and Podlasie.

Conclusion: Rather promising yields of potatoes and fodder root crops provide convenient conditions for the rearing of hogs. On the other hand, decreased allotments of concentrated feeds and the lack of the basic progress in grain yields will exert a restraining effect on the rate of increase in numbers of hogs.

One should intensify the training work of agricultural services and service units as regards steaming and silage of potatoes with the addition of papillionaceous crops and supplementary green fodder crops. The early and widespread development of the steaming and silage of potatoes is especially indicated in regions where a decay of potatoes is being observed, for example in southwest regions.

Also indispensable is the intensification of the training of expert help, as well as the publication of leaflets on the subjects connected with rational feeding of hogs under conditions of the shortage of concentrated feeds and the higher ration of feeding other fodders and utilization of fodder concentrates. This action should also be extended to those farms that abandoned the rearing of hogs in previous years.

A basic solution to ensure the systematic increase and productivity of hogs lies in the increase of the domestic production of grain. Perhaps it will be achieved by the increase of the area of grain crops and in the first place by the improvement in agroengineering.

The sheep herd decreased 7.4 percent. Characteristic is a great differentiation of territorial changes in numbers of sheep. It fluctuates from the increase in the number of sheep in the voivodship of Lublin by 15.8 percent to its decline in the voivodship of Rzeszow by 24.5 percent. Sheep herds increased in five voivodships. The fodder situation in 1980-81 was also less favorable for sheep, but it could not be the only reason for such a great territorial differentiation in numbers of sheep.

Conclusion: One should thoroughly investigate the causes of changes in the numbers of sheep in individual voivodships and gminas and take measures to prevent the falling trends.

This year's improvement as regards the amount of the farming-related fodders should also be utilized in the fourth quarter by agricultural services to increase the numbers of cattle, hogs, sheep and their productivity.

1015
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## PROBLEMS OF MARITIME SHIPPING REPORTED

Gdansk HORYZONT in Polish No 19, 1-5 Oct 81 pp 1-3

[Article by Jerzy Drzemczewski: "In the Polish Ocean Lines [PLO]--What Survival Hinges On"]

> [Text] How are we to break the crisis, what are we to do in order "to get something moving" in our economy and create a jolt forward? It is appropriate to wait for a prompt introduction of the economic reform. But should we restrict ourselves to waiting? Maybe, we should start acting already! Below a text follows which shows that manna will not fall down from the skies into our hands all by itself. The situation is difficult, but this is not to say that there is no room for resourcefulness and initiative.

Managing a maritime shipping organization has probably never been as difficult in Poland as it is now. The disastrous economic situation in our country and primarily tremendous difficulties with the balance of payments require that the shipowner really "use his head a lot" if he wants to run his fleet efficiently.

The activity of the PLO may be a prime example of this. This shipowner faces today a situation which is much tougher in many regards than that of our other large shipowner, the PZM [Polish Maritime Shipping]. First of all, unlike the PZM fleet which can be transferred with relative ease from one market to another, the operation of the PLO fleet is strongly constrained by the very kind of shipping it provides and the consequent necessity to regularly service Polish ports, where the amount of cargo is decreasing. The rather old age of the fleet is also a very important handicap effectively eliminating it from competition for more profitable cargo. Despite the sale in the last year of the 70 oldest units, the average age of the PLO is about 13 years.

In spite of this difficult situation, the PLO is still holding its own. During the first 8 months of this year, the fleet of the shipowner from Gdynia, consisting of 163 of its own and 6 chartered ships, transported 3.31 million tons of cargo, that is 3.8 percent more than in the comparable period of last year. The shipowner handled a total of 1,414,000 tons of Polish foreign trade cargo, or 141,000 tons less than in the first 8 months of last year. However, cargo shipped between foreign ports and transit cargo was much larger than in the last year.

The size of the foreign-exchange balance of payments and the freight revenues paid by the customer from the II payments area [capitalist countries] are the most important indicators, on which the very existence of the enterprise practically hinges today. This year they even topped those of last year.

The economic indicators do not even begin to tell about the difficult road which the shipowner had to travel in order to attain them. They do not display the tremendous effort of almost the entire labor force expended in, for example, preventing the anchoring of the PLO fleet 1 day due to the lack of foreign exchange for purchasing fuel, paying port and canal fees, etc. The [Foreign] Trade Bank in Warsaw handles PLO settlements with foreign customers; the shipowner has an account there with assets going into hundreds of millions. Several months ago, the bank let it be known to the Polish shipowners, in no uncertain terms, that it was no longer to be relied upon and that they would have to manage themselves.

In practical terms, that means that the PLO has been settling its foreign-exchange accounts itself for several months. Since then, a strategy based on the subordination of all operational steps to one goal has been pursued by the enterprise, the goal being to secure a large enough freightage from foreign customers to be able to cover all foreign-exchange expenses of the enterprise out of revenues. This is the only way to keep the maritime lines going, where costs exceed revenues. Unfortunately, that is the case with a majority of the PLO lines. They include all lines where the cargo of Polish foreign-trade organizations dominates. These organizations, of course, settle with the PLO in zlotys. In other words, the export of transportation services by Polish shipping lines makes it possible to ship Polish export cargo for zlotys.

The actions of the PLO aimed at achieving this goal are two-pronged. First, the shipping of cargo on the order of foreign customers is being intensified; second, costs are being streamlined, especialy foreign-exchange costs.

On the first direction, measures are being implemented such as the introduction of two detached service lines between foreign ports. One of them is the line between Valencia and the ports of Tripoli and Benghazi in Libya, which is served by small ships of the "Kudowa Zdroj" type retired from European lines due to the lack of Polish cargo. The other is the link between Hamburg and Lagos, the capital of Nigeria, serviced by two sister container ships chartered by the PLO, "Opal Bounty" and "Turquoise Bounty."

However, the largest increment of foreign-exchange revenues has been secured by our line shipowner by consistently increasing feeightage between foreign ports. Many concrete examples of such activities can be cited for each of the 30 lines regularly serviced by the PLO fleet. There is no way to mention all of them here.

Service on Australian and South Pacific lines may be a good case in point. The Australian line used to be based on the shipment to Poland of wool, raw hides and molding sand. Import of the latter has recently fallen off by more than one-half. Now the line ships considerable quantities of railway ties, onions, frozen fruit, wool destined for consignment warehouses from Australia to Europe and also increasing quantities of containerized cargo to the port of Jeddah in Saudi Arabia. This line can also provide a good example of the currently implemented policy of the PLO aimed at enhancing acquisition activities not only at the base ports of its shipping services, but in markets with lower cargo potential as well. In these markets, the competition by the groups of foreign shipowners is not as stiff as, for example, in Western Europe, Australia or New Zealand.

Hence, the already mentioned dockings in Jeddah, in the British ports to which we ship railway ties, and, recently, in Colombo on Ceylon by the semicontainer ship "Artur Grottger" to pick up 200 containers destined for Great Britain.

The South Pacific line provides an even better example of the PLO's attempts to obtain foreign cargo. Since relying on Polish cargo transported to New Zealand and other countries in the South Pacific region is hardly to be reckoned with, the shipowner was compelled to boost acquisition in foreign ports, mainly in Western Europe.

At present, the ships pick up in Western Europe on almost every trip from 60 to 70 containers with goods, some of which are destined for branches of French department store chains on Tahiti and New Caledonia, and also several hundred tons of noncontainerized flour and sugar, prefabricated construction elements, structural steel, passenger cards and considerable quantities of goods that require refrigeration while in transit--meat, cheese, ice cream, poultry and vegetables.

In the opposite direction, the cargo holds of the PLO ships are most often filled with copra which is transported from the islands of Tonga, Vanuatu and Kiribati to Rotterdam. For example, the "Frycz Modrzewski" and the "Marian Buczek" brought a total of 7,000 tons of this cargo to Rotterdam in August. Along with copra, coffee has recently acquired the positio of a prime return cargo. It is shipped from the port of Lae in Papua-New Guinea to Hamburg. Coffee is a totally new cargo, never before carried by the ships of this line. It has replaced fish flour and frozen fish, which used to be shipped from Peru to Poland by the PLO for the recently dissolved Polish-Peruvian fishing enterprises (milk powder was carried from New Zealand to Peru). Recently, two ships, the "Marion Buczek" and "Hanka Sawicka" brought a total of 3,400 tons of coffee from Lae to Hamburg.

A very high foreign-exchange balalnce on this line has resulted from these efforts. It exceeded the planned quota by almost $2 million for the five trips of the ships of this line in the first half of this year. This [positive] balance allows the lines to cover foreign-exchange expenses, namely, purchases of fuel, payment of port and canal fees (the Panama and Kiel canals) and so on, not only of the ships of this line, but of many other PLO ships servicing other routes.

The cancellation of the line to the Great Lakes this spring and the restriction of regular lines to Canadian ports to Halifax alone are among other measures aimed at reducing costs wherever it is economically justifiable. Conventional service Szczecin-Hamburg was canceled on European lines where the drop in the amount of Polish cargo has been especially pronounced. The amalgamation of Rotterdam and Antwerp lines is being considered. In the face of increasing cargo shortage in Polish ports, the so-called return cargo runs are becoming increasingly common, i.e., the ships both start and finish their trips in West European ports: Hamburg, Bremerhaven, Rotterdam and Antwerp.

The transformation of the previously independent links in Baltic and West European routes into connecting services of ocean lines accomplishes the same goal. This has been the function of the Szczecin-Hamburg line for several months now. The line carries containers with Polish goods destined for the detached Hamburg-Lagos service. The ships of European lines are increasingly used to assembly in Gdynia, Szczecin and Gdansk the paper and cellulose from Scandinavian countries which [illegible]er loaded on Polish line ships bound for Australia.

The entire system of connecting lines is in the startup stage. The lines will cooperate with the South American service employing modern "Tadeusz Kosciuszko"-type container ships and the Australian service, where roll-on/roll-off craft of 21,000 tons deadweight with a carrying capacity of 1,200 20-foot containers will be introduced next March.

Lack of cargo from Polish ports and tremendous costs associated both with the servicing in foreign ports and repairs and maintenance of some shiops in good technical conditions (lack of spare parts, paints, materials, long terms of repairs in shipyards, etc.) were also the reason for selling the 10 most obsolete and uneconomical vessels of the line shipowner last year.

As the needs of our foreign trade in unit cargo tonnage decrease, the PLO gradually reduces the amount of specialized tonnage chartered from foreign shipowners. Recently, two roll-on/roll-off vessels, the "Welcome" and "Translink" owned by foreign shipowners were retired from the PLO lines. For the same reason, the PLO was able to charter (until the end of this year) the "Lebork," a ship of the Finnish line, to a West German shipowner, and the "Koszalin" and "Zywiec" to transocean, which employs them to service fisheries of Namibia and Western Canada.

These measures, all of which can hardly be enumerated in a short article, are the reasons why the PLO not only manages, but also can transport a considerable amount of Polish cargo for zlotys, despite the drastic situation with the tonnage of its fleet and the equally drastic situation of our economy.

9761
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# EFFECTS OF NEW ECONOMIC MECHANISM ON EXPORT ACTIVITY

## Emphasis on Financial Equilibrium

Bucharest REVISTA ECONOMICA in Romanian No 47, 20 Nov 81 p 12

[Article by Dr Constantin Fota]

[Text] A study of the new economic mechanism in the area of foreign trade discloses its innovative nature. Within the foreign trade activity as a whole--beginning with production for export, as a decisive element of the process, and ending with the actual commercialization on foreign markets--it creates new conditions for pursuing our foreign economic relations according to the current and future needs of our national economy, while taking into consideration the increasingly complex situation on the world market. In essence, it seeks to achieve three basic objectives:

To firmly institute within foreign trade the principles of the new economic mechanism, based on workers's self-management and economic, financial, and currency self-administration;

To modernize the entire activity of foreign trade and international economic cooperation by continually renewing and adapting production to the demands of foreign markets, and by promoting active forms and methods of commercializaion comparable to those of the competition;

To substantially increase the profitability of exportation, importation, and international economic cooperation operations, by reducing domestic costs and efficiently using importations, but especially by improving the quality of commercial activities and by effecting transactions on those foreign markets which do not have their own resources of goods, so as to return the highest possible net currency contribution.

The major features of this new foreign trade mechanism are described below.

### The System of Currency Self-Administration

The foundation of this system was the objective requirement to assure an equilibrium in the balance of foreign receipts and payments, as a precondition for the general economic equilibrium.

To this end, the system makes use of the generally valid principle that each central organ or economic unit involved in foreign economic activities, assure through its own exportations the means of payment needed for importations, and contribute to the growth of the state's currency fund. As an instrument for respecting this principle, the law stipulates the formulation of trade balance and of the plan for currency receipts and payments within each central organ and each economic unit, in direct correlation with the provisions of the plan for foreign trade and international economic cooperation.

In our socialist state, where financial and currency resources are also allocated as a function of the general needs of socioeconomic development, there will undoubtedly exist in the future ministries and economic units for which the plan will allow certain deficits in foreign payments and exchanges. The essential condition imposed by law is that these central organs or units, as well as those for whom the plan stipulates surplusses, be strictly included in the established currency equilibrium, and consistently correlate the importation they need for fulfilling the plan, with the extent to which they achieve their exportation.

In order to monitor the performance of currency self-administration, it is of immediate practical importance to devise a uniform method for monitoring exportation receipts and committing importation payments, keeping in mind that action must be taken at the time the contract is signed, so as to correlate and synchronize these monetary exchanges.

Direct Reflection of Foreign Trade Financial Results in the Management of Economic Units

Also in order to promote economic leverages in economic management, the new mechanism makes use of the principle that the results of foreign trade activities are reflected directly in the management of foreign trade enterprises and production units.

Until the new mechanism came into effect, units which produced goods for exportation and which made use of imported ones, usually accounted for them at domestically established prices, independently of their currency prices, and foreign trade enterprises charged to the state budget the differences between domestic prices and foreign prices transformed in lei. The current regulation assures an intimate relationship between the management of economic units and the results of their activities on foreign markets, without state intervention (except in some special situations determined by the evolution of the international economic situation). At the same time, foreign trade enterprises are asked to fully cover from their own incomes, all the expenses that they incur--both in lei and in currency--using as a particular source of receipts (in addition to the usual commissions) the foreign price level of exported goods, as well as the currency contribution from commercial operations with customers who do not have their own resources of goods.

In turn, production units must intensify their concern for completing export production according to schedules and qualities established by contracts; for modernizing products and increasing their valorification on foreign markets; and for substantially improving service, spare parts deliveries, and technical assistance, in order to retain and develop their markets.

The Uniform Exchange Rate and Rates of Return for Products and Groups of Products

The introduction of the uniform exchange rate represents a significant step in the transition to the convertibility of the leu, an extremely important goal of the party program.

It is notable that the level of the uniform exchange rate is established as the average of the return rates for exportation and importation, by products and groups of products, thus reflecting economic realities in terms of relationships between national productivity and the worldwide level of productivity.

In international practice, banks account for exportations and importations in national currency, usually at the official rate of exchange established for foreign currencies. It is to be expected that in Romania as well, as the uniform exchange rate is reduced and the return rates of products become tightly bound to it, exported and imported goods will--at a future time--be regularly accounted for at a uniform exchange rate.

Although the new mechanism has been introduced in practice relatively recently, some conclusions can be reached about its efficiency.

All economic units--both producers and foreign trade ones--are increasingly aware of the fact that planned importations no longer represent an a priori right, but rather a possibility, which can be materialized only in strict correlation with the achievement of exportations. This has intensified the concern to fulfill exportations at planned levels, as the only solution for obtaining necessary importations.

Foreign trade enterprises have intensified their activities for writing exportation contracts at planned levels, in order to assure the most reliable prospects for fulfilling the exportation plan.

Producers have intensified their concern for completing their contracts on schedule, and for the value that their products bring on foreign markets.

Through the new organization that has been instituted, foreign trade enterprises monitor and are more aware of the progress of export production, and are increasingly interested in adopting effective measures for completing export contracts on schedules and terms reached with foreign customers. At the same time, these enterprises are intensely concerned in conducting a lively commercial activity on foreign markets, which will allow them to achieve planned levels of activity, fully remunerate workers, and obtain additional incomes.

These positive phenomena in foreign trade activities will expand during the next period, the new foreign trade mechanism thus demonstrating its viability and need in practice, by raising our country's foreign economic relations to a higher level.

## Increased Responsibility of All Producers

Bucharest REVISTA ECONOMICA in Romanian No 47, 20 Nov 81 pp 13-14

[Article by Dr Ioan Georgescu]

[Text] We continue the discussion which we started about the new economic mechanism in foreign trade (REVISTA ECONOMICA, Nos 47, 48, and 49/1980, 15, 22, 23, and 27/1981, and this year's supplementary edition of "International Financial-Currency and Commercial Relations"), in which many proposals were advanced on the most effective and efficient ways for putting in practice the requirements of economic-financial and currency self-management and self-administration in this sector of activity. Naturally, the new trade concept based on self-management presuposes an active participation on the part of all workers in the system, and initiative in conducting an efficient, coordinated activity in the dynamics of the world market. The present article presents new proposals for the most efficient application of these requirements.

### Exportation is no Longer the Task of Specialized Units

Defining competitivity as the ability to react more promptly to demand, for goods of equal quality, we will examine the competitivity resources offered by the new economic mechanism.

To begin with, a few clarifications should be made about currency self-management. The principle of a balanced import-export activity within each enterprise must not lead to the simplistic understanding that all enterprises must become direct exporters in order to obtain their imported goods. A flexible, dynamic, active, and responsible understanding of the concept of self-management does not exclude the need that export production be specialized, but in fact makes it desirable that only those enterprises, branches, and sub-branches which have a competitive advantage on the world market, orient themselves toward exportation.

Which however, does not mean that exportation should be regarded as the exclusive task of specialized export units, since thousands of subcontractors from the most different sectors of the economy participate in export production, and other enterprises can become very competitive during this process. The synergy in the exportation effort refers not only to collaboration among enterprises within a given industrial central, or to cooperation within an economic branch, but also to the level of the national economy as a whole.

One characteristic of the socialist economy is its capability for optimum utilization of resources in the unified national economy, in order to achieve its goals. As an example, in the foreign trade domain all the economic forces of the system must be subordinated to the to the objective of equilibrium in the balance of trade and foreign payments. Since experience has shown that the socialist economy is not protected from the circumstantial influences of the world market, it follows that we must consistently and systematically monitor the movements of the international market, so that we can effectively make the necessary corrections in the structure of our export production. The institutional allocation of the

exportation plan, frozen in its physical structure for periods that are relatively long compared to the dynamics of the market, reduces the potential strength for synergetic action of the unified national economy, to the extent to which it does not act to dynamically adjust production programs as a function of foreign demand.

Experience has shown that even one-year plan periods are too long with respect to the situational changes in the world market. It is possible for instance, to determine that it is preferrable at a given time to export electronic and automation equipment as part of the machine-tool production rather than as a direct exportation. Similarly, it may appear necessary at a given time to use larger quantities of intensive factors in agriculture (tractors, agricultural machinery, chemical fertilizers) in order to offer more vegetal or animal products for exportation, at the expense of reducing the exportation of the actual products. It would appear that up to now, these values of the new economic mechanism have not been sufficiently explored to stimulate the initiative of workers in the system.

Under the existing legislation, it is perfectly possible for direct exporters to assume the export tasks of other exporters--who then become indirect exporters--with the latter retaining all the rights of exporters.

It is of course true that the risks of those who operate directly on foreign markets increase together with increases in the exportation volume. But these risks can be reduced with the help of pertinent market data, obtained from a scientifically organized information system, and through the writing of long-term guideline contracts which assure conditions for specializing the export production.

But if we dogmatically believe that each enterprise must export directly on the world market under any conditions, we will at times be able to sell only with great sacrifices in price, and we will not be able to properly derive the great advantages of the unified socialist economy.

In addition to the paperwork associated with these task-modifications in the exportation plan, several premises are also necessary:

A new attitude--active, dynamic, enterprising--in foreign trade workers, which is generated first of all by good professional training;

Legislation of risk limits for foreign trade workers, so that anxiety about errors will not limit their enterprising spirit, while allowing them to effectively use legal incentive leverages;

The pursuit of international-marketing professional activities at the level of industrial centrals, branches, and the national economy.

The possibilities for optimizing the structure of export production as a function of the international situation, are of course numerous.

All these multiple possibilities for optimizing the exportation structure must form priority goals for ministries and central coordination organs, who can see the overall exportation picture at any given moment.

The broadened scope of Romania's foreign trade enterprises, including the whole range of currency contributions, and import-export of services, know-how, engineering, and licensing, opens broad possibilities for optimum combinations of domestic production factors with those attracted from foreign markets, in order to assure competitivity. One example of currency contribution is the allocation of some agroalimentary products from the goods earmarked for export, to be sold at retail--and therefore several times higher--prices in international tourism units. The difference between the export price and the retail price in public food units (included in calculations of tourism rates) can result in a net currency income for the merchant (international tourism unit). In our country, tourism--"the smokeless industry"--benefits from a natural potential which far exceeds the current exploitation possibilities of the built-up material base. Why should we not consider as a currency contribution operation, the attraction of foreign investment funds for the valorification, in the form of tourism cooperation, of these natural resources which are as highly valued today as oil, coal, or iron?

Growth Options Determined by Resource Position

Another new objective of the new economic mechanism is to involve producers more intimately in the results of foreign trade activities.

Our country's specific position in resources of materials--importer of about 50 percent of its oil needs, and of the greatest part of the raw materials for steel making, it spends over 50 percent of the free currencies received from exportation on these two items alone--raises the important problem of how to transform these resources into competitive export products. A significant factor in the valorification of resources used to produce export goods, is a calculation of the rate of return of material production costs (after deducting from the total export price, manpower costs, energy, and profits at the uniform commercial exchange rate).

Analyses performed in branches, using this indicator, indicate large reserves for increasing the degree of valorification of raw materials used for export production.

As it becomes increasingly difficult to import raw materials, for which larger portions of exportation receipts must be allocated, the retention of the same export structure, of the same degree of raw material valorification, and of the same technology in products, draws foreign trade into a vicious circle: on one hand there is the need to increase exportations to be able to buy raw materials at increasingly higher prices; while on the other hand the consumption of raw materials is higher in order to be able to build more products at the same unit price. The only possible escape from this vicious circle is to intensively increase exportation through structural modifications of the export inventory, in favor of products with high technology, whose value includes a high proportion of national manpower.

The data in Romania's Statistical Yearbook allows only an overall comparison of industry and agriculture regarding their valorification of material costs, but even this comparison is significant in terms of reserves for intensive economic growth, and for higher export efficiency. As can be seen from the table, the ratio between the contribution to the national income and material costs is greater than one for agriculture, and less than one for industry.

Specific proportion of industry and agriculture in the total social product (PST) in 1980 (percent)

| Branch | PST | Material costs | National income | Valorification index col. 3/col. 2 |
|---|---|---|---|---|
| Industry | 73.4 | 75.7 | 70.0 | 0.92 |
| Agriculture | 10.0 | 10.0 | 10.1 | 1.01 |

Source: 1981 Romanian Yearbook; Speech to the Second Workers' Congress, Ed. Politica, Bucharest, 1981.

When it becomes important to equilibrate the balance of payments, one criterion in the development of export production is the possibility of more rapidly deriving a return from the expenses incurred in a given sector of the economy, especially if we take into account the specific foreign demand.

For many developed countries (USA, France, Holland, Denmark, Hungary, and so on) the exportation of agricultural products plays a decisive role in the equilibrium of the balance of foreign trade and payments. Adaptation to the specific demands of foreign markets is only apparently simple. In practice, as demonstrated by experience with the world market, know-how is very important.

Pursuing the analysis to the level of sub-branches and products, the hierarchization of export priorities can be grouped by level of efficiency. The prolonged usage of rate of return as major indicator of export efficiency has meant that the most efficient exports of our machine construction industry have been considered to be the equipment which consumes large amounts of metal, while we are importing about 1.5 million tons of milled products which we do not manufacture in Romania. At the same time, iron is often used instead of wood (which is actually more difficult to obtain) in industrial and civilian constructions. It is already paradoxical that fences in our communities are made of iron, but even more so that in a "garden city" such as Bucharest, live fences along roads have been replaced with metal fences (when about 90 percent of our iron ore requirements are imported).

Determination of Foreign Market Position Using the Uniform Commercial Exchange Rate

Many high technology export products have high exchange rates because of an improper distribution of costs according to functions. For instance, a brief analysis of the value of a standard-production electric motor for exportation, shows that of the total raw and other materials costs (100 percent), about 16 percent represents costs for purchase through cooperation--at a cost which is four times higher than the price abroad--of the shell and iron shield, and about 17 percent represents costs for the purchase through cooperation, of the wood packing crate (instead of the collective packaging of carboard filled with plastic injected around the product, which would allow palletization and containerization). A number of other basic materials are purchased from domestic subcontractors, also at prices that are higher than abroad (prices are higher than the uniform exchange rate).

Under these conditions it is very difficult for the supplier of the finished product to fit into the guidelines of the uniform exchange rate, as long as this effort is not also made by his subcontractors.

Insofar as the new economic mechanism intends to facilitate the export production of subcontractors by granting them the status of exporters, then both the rights and the obligations--to meet the level of worldwide prices--of this status must be observed. This is the only way to obtain high technology complex products, which will also be competitive on foreign markets.

The present system of accounting for production expenses according to the foreign sales price converted into lei at the uniform exchange rate for the product group, discourages some enterprises from manufacturing exactly those highly technical and complex products for which they have many domestic subcontractors and cooperators, if the prices of the latter do not match the prices available on the world market.

The act of limiting the sphere of application of the unified exchange rate solely to the final export producer, when the latter cannot cannot choose his subcontractors and thus cannot influence the prices of his supplies (to match the prices on the world market), sometimes reduces the incentive for offering export products, even though from the standpoint of the national economy the exportation of these products is profitable. In the case of the electric motors discussed above, for instance, the fact that some subcontractors exceed the world market prices is due to the excessive profits included in the domestic prices; but since the users have no alternative supply sources, the subcontractors can afford to ask such prices.

The solution in such cases would be to limit the profits of these subcontractors to a reasonable level, while providing them with other incentives to subcontract for exportation. The concurrent development of the small industry as horizontal industry for large machine building enterprises, will make it possible to diversify subcontractors, and obtain industrial units with relatively lower production expenses, competitive on the industrial market, which will positively influence the efficiency of complex product exportation.

The conclusion is that improvements in the domestic price system can substantially contribute to the efficient application of the new economic mechanism in foreign trade activities, assuring a price structure which will enable a comparison with the average labor productivity found internationally for a product or group of products. This will assure that the hierarchization of products in the export inventory as a function of efficiency (rate of return), will also result in efficiency at the level of the national economy.

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EARNINGS OF REPUBLIC FUNCTIONARIES IN BOSNIA-HERCEGOVINA

Sarajevo OSLOBODJENJE in Serbo-Croatian 17 Dec 81 p 7

[Article by Lj. Smajlovic based on figures presented in a news conference by Vaso Radic, chairman of the Joint Commission for Monitoring and Enforcing the Self-Management Accord on Joint Bases and Scales for Establishing Personal Incomes and Other Benefits of Republic Officials]

[Text] The personal incomes of republic officeholders are established in Bosnia-Hercegovina on the basis of the Self-Management Accord on Joint Bases and Scales for Establishing Personal Incomes and Other Benefits of Republic Officials, which were set forth in September 1977 by the Presidency of SRBH [Socialist Republic of Bosnia-Hercegovina], the LCBH [League of Communists of Bosnia-Hercegovina] Central Committee, the SRBH Assembly and the Executive Council of the SRBH Assembly, the Council of the Federation of Bosnia-Hercegovina Trade Unions, the Republic Committee of SUBNOR [Federation of Associations of Veterans of the National Liberation War] and the Republic Conference of the Bosnia-Hercegovina Socialist Youth League.

That agreement states that the total personal income of a republic officeholder shall be established by multiplying the average personal income earned in the economy of Bosnia-Hercegovina in the previous year by the coefficient assigned to the respective office, and the portion of personal income based on past labor is added to that amount. The personal incomes of officeholders are adjusted to the variation of personal incomes in the republic's economy at least once a year. It should be said that so far no adjustment has yet been made according to the opportunities afforded by the self-management accord.

The last adjustment of personal incomes of republic officeholders, for instance, which amounted to 10 percent, was made after very extensive consultations on 1 July 1981 on the basis of the average personal income earned in the republic economy over the first 6 months of that year. According to the official data of the Republic Bureau for Statistics, that average personal income was 8,232 dinars. Thus the adjustment made was 30.4 percent below the opportunity afforded by that self-management accord. That is, the coefficient could have been 4.1 percent, but a limit was put on the coefficient as 3.86, and that applies to the offices of the chairman of the SRBH Presidency and the chairman of the LCBH Central Committee.

This was announced yesterday in Sarajevo to newsmen in a briefing given by Vaso Radic, chairman of the joint commission for monitoring and enforcing this self-management accord and by several other members of the commission. The briefing was organized by the Republic Committee for Information, and the newsmen were allowed to see and examine the present coefficients and base salary levels for the various offices in the republic.

The only other element added to the personal incomes of officeholders computed in this way is that portion based on past labor, which is again established so that the base salary is increased for every year of pensionable service 0.45 percent for men and 0.52 percent for women, but the total percentage may not exceed 18.

| Office | Coefficient | Base | Base Salary |
|---|---|---|---|
| Chairman of the SRBH Presidency and chairman of the LCBH Central Committee | 3.86 | 8,232 | 30,294 |
| President of the SRBH Assembly and chairman of the Executive Council of the SRBH Assembly | 3.65 | 8,232 | 30,047 |
| Members of the SRBH Presidency | 3.57 | 8,232 | 29,388 |
| Members of the Presidium of the SRBH Central Committee | 2.84-3.38 | 8,232 | 26,507<br>27,824 |
| Vice presidents of the SRBH Assembly and vice chairmen of the Executive Council of the SRBH Assembly | 3.22 | 8,232 | 26,507 |
| Presidents of the chambers of the SRBH Assembly | 3.15 | 8,232 | 25,930 |
| Members of the Presidium of the Republic Conference of the SAWPBH | 2.76-3.07 | 8,232 | 22,720<br>25,272 |
| Members of the Presidium of the Council of the Federation of Bosnia-Hercegovina Trade Unions | 2.65-3.07 | 8,232 | 21,815<br>25,262 |
| Chairmen of the working bodies of the SRBH Assembly and of the chambers of the SRBH Assembly and members of the Executive Council of the SRBH Assembly | 2.92 | 8,232 | 24,037 |
| Deputy republic secretaries and deputy chairmen of republic committees | 2.46 | 8,232 | 20,251 |

It should be said that the term "base salary" does not mean here what it means in the economy, that is, only the base salary beyond which it is possible to earn more on the basis of better performance and greater effort. In the case of republic officeholders the only thing that can be added to the base salary is past labor, and nothing more. There is no "13th paycheck," nor any variable portion, but only compensation for performing the duties of the office. Thus republic officeholders with a 1-year term of office, as is the case of the chairmen of the Republic Conference of the SAWPBH, the Council of the Federation of Bosnia-Hercegovina Trade Unions and the Republic Committee of SUBNOR of Bosnia-Hercegovina, retain the coefficients which they had in their previous post, and if those coefficients are lower than those envisaged for these positions, the difference is paid up to the level of the coefficients assigned to those offices as compensation. This compensation (the supplement for officeholders) is

paid for only 1 year and is not part of the personal income. It should also be added that this self-management accord covers 155 people in the republic.

Those who hold the most prestigious and responsible offices in the republic, it was noted by certain newsmen in yesterday's briefing in the SRBH Assembly, have personal incomes which are lower than certain opstina leadership positions, than professional managers in associated labor, and also administrators in certain self-managing communities of interest. The justification is that this occurs because in certain opstinas, for example, the highest coefficients established in the republic are being used, but those coefficients, as we have seen, have never been used at the republic level. Another reason why such high personal incomes occur is that a different base is used for arriving at the salary, the average personal income in the republic's economy being replaced by the average personal income in the opstina or in the branch of the economy to which the respective organization of associated labor belongs. This average is, of course, always higher than the average personal income in the republic's economy.

We should also point out that republic officeholders covered by this accord do not have any other material benefits. It was explicitly stated in response to a newsman's question that steps have been taken in the SRBH Assembly to prevent the abuse of official cars for private purposes, and the use of luxury cars, of Mercedeses, that is, has been reduced to the minimum and they are now used only for receiving visits of delegations and for long official trips.

Other personnel, incidentally, those holding positions within the organizations that are participants in the self-management accord and in other republic bodies and agencies, have lower personal incomes than the deputy republic secretaries and deputy chairmen of republic committees, depending on the jobs they perform. Because of the low personal incomes of these personnel as compared to similar categories of personnel in associated labor, self-managing communities of interest and elsewhere, there have been difficulties in choosing capable new people for these positions, and there are even cases when these personnel have left for other places where the pay is better because of the low personal incomes.

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